Investec

OUT OF THE ORDINARY

Possibilities and opportunities

Investec annual report 2022

Investec Bank plc 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

Unaudited information
Indicated information which has not been audited

Strategic report
The operational and strategic overview section together with the financial review section (sections 1 and 2 of this report respectively, and together, the strategic report) provide an overview of our strategic position, performance during the financial year and outlook for the business. This should be read in conjunction with the sections referenced below which elaborate on the aspects highlighted in the strategic report:

- The risk management section in section 3 of this report which provides a description of the principal risks and uncertainties facing the company; and
- The Group's 2022 sustainability report on our website which highlights the sustainability, economic, social and environmental considerations.

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

For queries regarding information in this document:

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

CONTENTS

Sections 01 to 02 comprise our Strategic Report

01

Operational and strategic overview

IN THIS SECTION

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

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc.

During July 2002, Investec Group Limited (since renamed Investec Limited) implemented a dual-listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of our DLC structure, Investec Limited is the holding company of our businesses in Southern Africa, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc on the LSE (since 2002).

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

While Investec Wealth & Investment Limited is a wholly-owned, FCA regulated subsidiary of IBP, it maintains an independent governance structure.

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

How we are structured

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

Salient features of the DLC structure

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

OUR BUSINESS AT A GLANCE

One Investec

Our purpose

Our purpose is to create enduring worth – living in, not off, society.

Our mission

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

Our distinction

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

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

Our strategic direction

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

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

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

Our values

Our purpose is expressed in four key values that shape the way that we work and live within society.

Distinctive performance

- We employ talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multi-task environment
- We promote innovation and entrepreneurial freedom to operate within the context of risk consciousness, sound judgement and an obligation to do things properly
- We show concern for people, support our colleagues and encourage growth and development.

Dedicated partnership

- We believe that open and honest dialogue is the appropriate process to test decisions, seek consensus and accept responsibility
- We are creative individuals who co-operate and collaborate unselfishly in pursuit of group performance
- We respect the dignity and worth of the individual through encouraging openness and embracing difference and by the sincere, consistent and considerate manner in which we interact.

Client focus

- We break china for the client, having the tenacity and confidence to challenge convention
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment.

Cast-iron integrity

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

CASE STUDY

International collaboration

As our global footprint continues to grow, our corporate finance business is collaborating and connecting across more borders, delivering a true One Investec service to clients.

In a connected world where cross-border expansion sits at the heart of many clients' ambitions, it's increasingly important for our corporate finance team to offer seamless support across multiple geographies.

During the year, we continued to expand our global footprint – with key deals boosting our presence in many regions. In continental Europe, for example, we acquired a 30% stake in Capitalmind, an M&A advisory firm with offices in Benelux, Germany, France, Scandinavia and Switzerland and a team of over 70 dealmakers. We've also formed a partnership with Regions-BlackArch, one of the top 15 banks in the USA giving us access to buyers and sellers of businesses across North America. Elsewhere, we enhanced our ability to serve clients in Sub-Saharan Africa, India, Australia and New Zealand. Our network now extends across both developed and emerging markets, giving us a broad global perspective and an ability to bring highly creative solutions to our clients.

This broader, more connected corporate finance capability is in line with our One Investec strategy – a capability that collaborates across locations, sharing expertise and knowledge to maximise revenue from cross-border M&A and equity capital markets (ECM) opportunities.

A great example of this joined up thinking was when our specialists in London and Johannesburg came together to form a single cohesive team that provided the regional shopping centre company Capital & Regional plc with financial, strategic and tactical advice on all aspects of the restructuring of its balance sheet and its capital raise – including acting as sponsor to the capital raising on both the LSE and JSE.

"Delivering a solution to Capital & Regional required a highly integrated approach across the United Kingdom and South African capital markets. Our unique position straddling these geographies, with the ability to work together as a single unified team, is what made this possible." – Charles Barlow, head of cross border corporate finance.

> "Delivering a solution to Capital & Regional required a highly integrated approach across the United Kingdom and South African capital markets."
>
> **Charles Barlow**
> Head of cross border corporate finance

OUR STRATEGIC OBJECTIVES

Driving sustainable long-term growth

Our strategic direction

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

We are focused on delivering profitable, impactful and sustainable solutions to our clients. To deliver on One Investec, we will focus on collaboration between the Specialist Banking and Wealth & Investment businesses, and across geographies, and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

Our long-term strategic focus:

We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and contributing meaningfully to our people, communities and the planet

All relevant Investec resources and services are on offer in every single client transaction

We aim to sustain our distinctive, Out of the Ordinary culture, entrepreneurial spirit and freedom to operate, with the discipline and obligation to do things properly for the whole of Investec.

OUR STRATEGIC OBJECTIVES
CONTINUED

Framework to drive improved business performance

Growth initiatives

Clear set of opportunities to deliver disciplined revenue growth

Cost management

Enhanced management of the cost base through operational leverage

UNDERPINNED BY

Capital discipline

A more disciplined approach to capital allocation and focus on capital optimisation

AND DELIVERED THROUGH

Digitalisation

Connectivity

Continued investments drive a digitally connected ecosystem to leverage efficiencies and deliver enhanced value to clients and staff

Read more in our Divisional review section on pages 36 to 45.

CASE STUDY

Innovation through strategic partnerships

We're continuing to invest in digitalising our DNA – with the extension of a long-standing partnership providing a real boost to our transactional banking proposition.

We've long understood that world-class digital client experiences and efficient operating platforms aren't just nice-to-haves. They're absolutely essential to our competitiveness and to our clients' ability to seize opportunities.

With the pandemic accelerating the drive towards digitalisation across all sectors, the last 12 months saw a number of milestones in our journey – including through our well-established partnership with Monese, the leading pan-European financial technology company. We have a long-standing relationship with Monese, having invested in them through Outward VC fund and smaller investment vehicles in recent years. We also advise Monese on their ongoing funding and strategic options.

However, we're now building even stronger ties, by adopting Monese's new Banking-as-a-Service (BaaS) platform which will accelerate our private client transactional banking proposition and underpin our launch of a new business current account for private companies. Cost-effective and scalable, the new platform will enable us to develop a world-leading digital banking experience while driving operational efficiencies. Over time, we expect BaaS to help us consolidate our retail savings products.

" This strategic partnership will enable us to leverage Monese's scale, expertise and digital capabilities to deliver Investec's digital current account in the UK," explains our Group Head of Digital and Technology Lyndon Subroyen, who joined the Monese board during the year.

Lyndon Subroyen
Group Head of Digital and Technology

OUR BUSINESS MODEL

Creating sustainable, long-term value

Key highlights

Core areas of activity	Total employees	Core loans	Customer deposits	Funds under management
2	3 400+	£14.4bn	£18.6bn	£44.4bn

Our clients and offering

- Corporate • Institutional • Private Equity • Intermediary • Government

↓

Specialist Banking

Lending
Transactional banking
Advice
Hedging
Cash deposits and savings
Equity placement

- Private client (high net worth) / Charities / Trusts

↓

Wealth & Investment

Discretionary wealth management
Investment advisory services
Financial planning

Our approach

We have market-leading, distinctive client franchises

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

We are a people business backed by our Out of the Ordinary culture and entrepreneurial spirit

Our stakeholders

To see a full list of our stakeholders, read more on pages 22 to 25.

Our clients
We support our clients to grow their businesses by leveraging our financial expertise to provide bespoke solutions that are profitable, impactful and sustainable.

Our people
We continue to build a diverse and representative workforce, employing people who are passionate and empowered to perform extraordinarily.

Our communities
We unselfishly contribute to communities by helping people become active economic participants, focusing on education and economic inclusion.

Our planet
We aim to operate sustainably, within our planetary boundaries and funding activities that support biodiversity and a zero-carbon world.

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC

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

Specialist Banking

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

What makes us distinct?

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

Focus on helping our clients create and preserve wealth	**A highly valued partner and adviser to our clients**
High net worth private clients	**Corporate, private, intermediary, government and institutional clients**
Private client banking activities	Corporate and investment banking activities
• Lending • Private capital • Transactional banking • Savings • Foreign exchange.	• Lending • Treasury and risk management solutions • Advisory • Institutional research, sales and trading.
UK **Channel Islands**	**UK and Europe** **Channel Islands** **USA** **India**
Our high-tech and high-touch private client offering provides transactional banking, lending, private capital, savings and foreign exchange tailored to suit our clients' needs. Our target market includes high net worth (HNW) active wealth creators (with >£300k annual income and >£3mn NAV). Our savings offering targets primarily UK retail savers.	Our client-centric, solution-driven offering provides Corporate Banking and Investment Banking services to private companies, private equity and sponsor-backed companies and publicly listed companies.

Natural linkages between the private client and corporate business

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC
CONTINUED

Wealth & Investment

A leading private client investment manager in the UK

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

With 14 offices across the UK, together with offices in the Channel Islands and Switzerland, combined we employ over 1 300 people with funds under management (FUM) of £44.4 bn.

What makes us distinct?

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

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

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

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

Our offering

UK and Europe

Investment and savings

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

Financial planning

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

Pensions and retirement

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

OUR OPERATIONAL FOOTPRINT

UK
- Established a presence in 1992
- Brand well-established
- One of the UK's leading private client investment managers
- Proven ability to attract and recruit investment managers
- Sustainable diversified banking business focused on solutions for corporate, institutional and private clients

USA
- Established a presence in 1998
- US Power and Infrastructure Finance and Securities

Ireland
- Established a presence in 1999
- European trading and investment banking services

Switzerland
- Established a presence in 1999
- International Wealth & Investment and European Banking activities

India
- Established a presence in 2010
- Institutional equities business providing research, sales and trading activities
- Merchant banking business connecting Indian companies with domestic and international investors
- IBP has entered into an agreement with State Bank of India group to form a strategic partnership to grow this business, which is managed as a JV between Investec and State Bank of India group

Channel Islands
- Established a presence in Guernsey in 1998, Jersey in 2007 and Isle of Man in 2018
- Private banking activities offered to private clients, family offices and Trust & Corporate Service Providers
- Certain Corporate banking services offered
- Wealth & Investment offered in Guernsey

OUR PERFORMANCE AT A GLANCE

Strong earnings recovery above pre-pandemic levels

Adjusted operating profit increased 165.6%

£287.7 million

2021: £108.3 million

Earnings attributable to shareholder increased 265.0%

£232.9 million

2021: £63.8 million

- Pre-provision adjusted operating profit for the financial year ended 31 March 2022 increased, supported by continued client acquisition, increased client activity, greater cross-collaboration, growth in FUM and higher average advances.
- The revenue momentum experienced in the first half of the financial year continued into the second half. Net interest income benefitted from higher average interest-earning assets and lower funding costs. Increased client activity, higher lending turnover and supportive market conditions underpinned the growth in non-interest revenue over the year.
- Operating costs were broadly flat, declining by 0.3% year-on-year. Fixed operating expenditure was well contained in line with management's focus on cost efficiencies. The reduction in fixed costs was offset by an increase in variable remuneration reflecting improved business momentum, and continued investment in technology.
- Impairments were significantly lower given limited default experience.
- The prior year results reflected the effects of severe economic contraction and rate cuts associated with COVID-19 which negatively affected client activity, net interest margins, valuations, and impairments. Additionally, risk management and risk reduction costs associated with the structured products book were elevated in the prior year.
- The Wealth & Investment business reported a 17.9% increase in adjusted operating profit driven predominantly by market recovery, continued net inflows (of £1.2 billion), and positive investment performance. The final quarter of the financial year was impacted by global market volatility, resulting in closing FUM of £44.4 billion (31 March 2021: £41.7 billion). Revenue grew by 8.7% given supportive market conditions and net organic growth in FUM of 2.9%. Commission income returned to normalised levels following the exceptional transaction volumes seen in the prior year.
- The Specialist Banking client franchises performed strongly, showing continued traction in our growth strategies across the business, and reporting loan book growth of 17.2% (18.7% excluding Australia). Client acquisition remained strong, with the Private Banking business growing its HNW clients to 6 982, surpassing the three-year target of 6 500 clients by 31 March 2022. Revenue was supported by strong net interest income growth, and lower risk management and risk reduction costs related to the structured products book.
- Taken together, Investec Bank plc reported an adjusted operating profit of £287.7 million for the year (2021: £108.3 million).

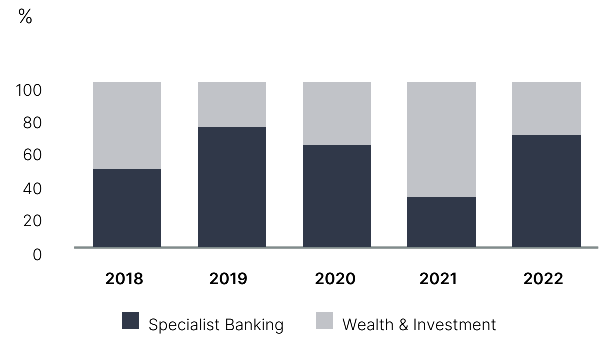
OUR PERFORMANCE AT A GLANCE CONTINUED

Financial performance

Adjusted operating profit increased 165.6%	**2022** £287.7mn **2021** £108.3mn
Annuity income as a % of total operating income	**2022** 75.9% **2021** 74.6%
Cost to income ratio	**2022** 70.8% **2021** 80.9%
Credit loss ratio	**2022** 0.17% **2021** 0.56%

Diversified business model

Contribution of adjusted operating profit



Continued growth of our key earnings drivers

customer accounts (deposits)

increased 14.6% to

£18.6 billion

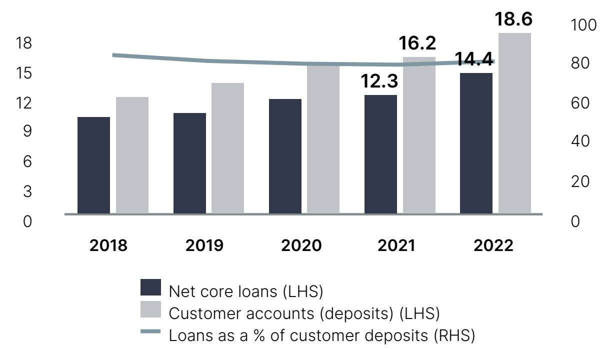
Core loans

increased 17.2% to

£14.4 billion

Customer accounts (deposits) and loans

£'billion



Funds under management

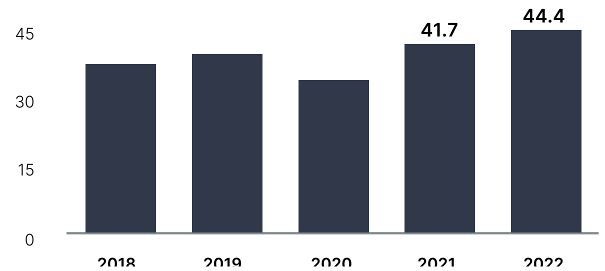
increased 6.5% to

£44.4 billion

reflecting favourable market movement and positive net inflows

Funds under management

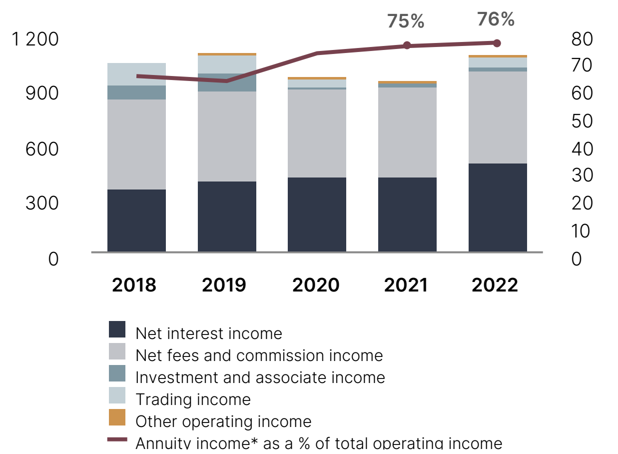
£'billion



OUR PERFORMANCE AT A GLANCE
CONTINUED

Strong and improved annuity base

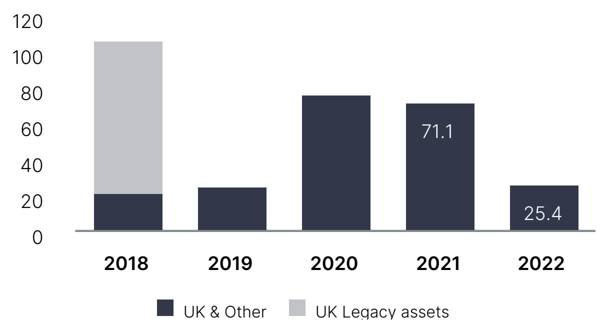
Total operating income
£'million Percentage



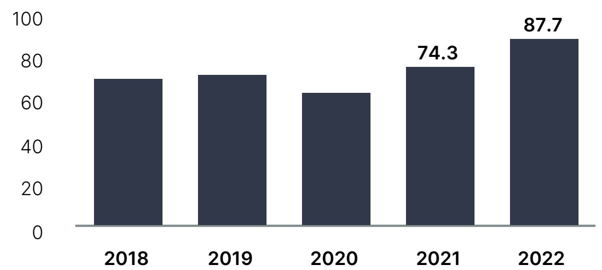
*Where annuity income is net interest income and annuity fees.

Growth in revenue was driven by strong net interest income growth, growth in net fees and commission income, and lower risk management and risk reduction costs related to the structured products book

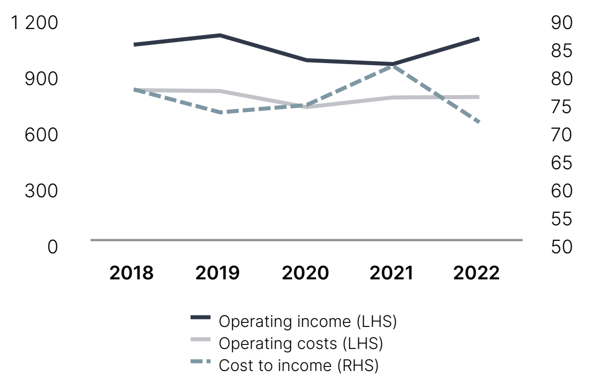
Expected credit loss (ECL) impairment charges
£'million



Adjusted operating profit – Wealth & Investment
£'million

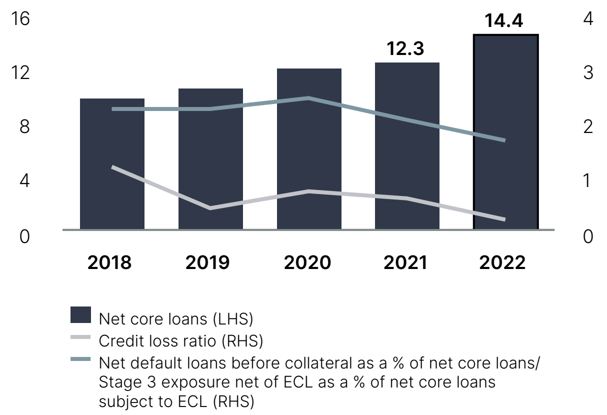


Jaws ratio
£'million Percentage

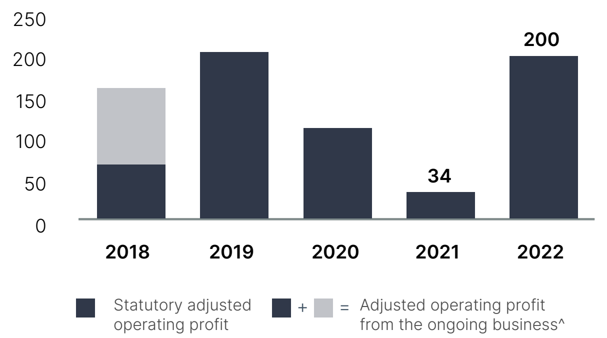


The cost to income ratio improved as revenue grew ahead of costs. The reduction in fixed costs was offset by an increase in variable remuneration in line with improved business performance

Default and core loans
£'billion Percentage



Adjusted operating profit – Specialist Banking
£'million



^ Ongoing business excludes Legacy, which comprises pre-2008 assets held on-balance sheet, that had low/negative margins and assets relating to businesses we are no longer undertaking.

OUR PERFORMANCE AT A GLANCE
CONTINUED

Maintained a sound balance sheet

The intimate involvement of executive management ensures stringent management of risk, capital and liquidity as set out below.

Capital management

Capital and leverage ratios remain sound, ahead of internal targets and regulatory requirements.

Investec Bank plc calculates capital requirements using the standardised approach under the Basel III framework, thus our risk-weighted assets represent a large portion of our total assets.

We are comfortable with our Common Equity Tier 1 (CET1) ratio target at 10% given our solid capital light revenues, and with

Capital ratios

	31 March 2022^^	31 March 2021^^
Common Equity Tier 1 ratio*	12.0%	11.8%
Common Equity Tier 1 ratio (fully loaded)**	11.6%	11.3%
Tier 1 ratio*	13.6%	13.4%
Total capital ratio*	18.2%	16.4%
Leverage ratio^	9.3%	8.0%
Leverage ratio (fully loaded)^**	9.1%	7.7%

* The CET1, Tier 1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements (including the changes introduced by the 'quick fix' regulation adopted in June 2020).
** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).
^ The leverage ratios are calculated on an end-quarter basis. The 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a CRD IV basis.
^^ The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 and 2021 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 37bps (31 March 2021: 16bps) higher, on this basis.

Note: Refer to pages 109 and 111 for further details.

A well-established liquidity management philosophy remains in place

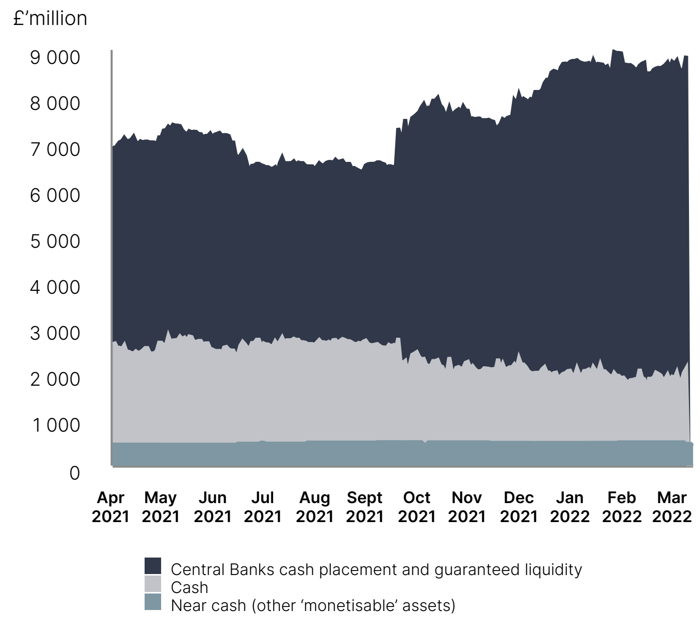
Continued to focus on:
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%, with the year-end ratio at 47.7%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Maintaining low reliance on wholesale funding
- Benefitting from a growing retail deposit franchise and recording an increase in customer deposits.

Liquidity remains strong with cash and near cash balances amounting to £8.9 billion (2021: £6.9 billion). Average cash balances remained high as we maintained a conservative position.

We exceed the minimum regulatory requirements for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

The Bank's loan to deposit ratio was 77.5% (2021: 75.8%).

Cash and near cash trend



CASE STUDY

Living up to our purpose

The success of our new sustainability-linked syndicated loan doesn't only demonstrate that our clients are committed to the principles of ESG – it also shows that sustainability and financial performance can be good and natural partners.

With IBP's margin linked directly to clear sustainability targets, our Syndicated Term Loan facility is helping us deliver on our purpose of creating enduring worth – living in, not off, society.

Closing in July 2021 at USD600 million, the facility originally launched at USD450 million and was almost three times over-subscribed. Our margin is linked directly to clear sustainability targets as measured by Sustainalytics, an organisation that provides high-quality, analytical ESG research, ratings and data to institutional investors and companies. Improvements in the rating are driven by how we manage our environmental, social and governance risks. This is achieved both through the management of our operations as well as well through the evolution of our products and services. If the loan meets the sustainability targets measured each year, we'll achieve a reduction in margin – and if it falls short then we'll face an increase.

"We're proud of the opportunity this facility presents to build on our long-term commitment to operate responsibly and make a positive contribution to the world we live in," says Tanya Dos Santos, Global Head of sustainability. "Investec leadership's aim to improve our strong rating, shows the depth of their commitment to further reinforcing our sustainability performance across all areas of environment, social and governance, not just one ESG KPI."

"We're proud of the opportunity this facility presents to build on our long-term commitment to operate responsibly and make a positive contribution to the world we live in."

Tanya Dos Santos
Global Head of Sustainability

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)

Listening to and engaging with our stakeholders

The Board appreciates the importance of meeting the diverse needs and expectations of all stakeholders and building lasting relationships with them. Effective communication and stakeholder engagement are integral in building stakeholder value. The Board is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, enabling them to make meaningful assessments and informed investment decisions.

In order to achieve these outcomes, the Board addresses material matters of significant interest and concern, highlighting key risks to which the business is exposed and responses to mitigate these risks.

IBP is a wholly-owned subsidiary of Investec plc (refer to operational structure on page 4) and as such has one shareholder. The IBP Board communicates regularly with the Board of Investec plc. Certain IBP engagements with its stakeholders are performed on a Group basis such as maintenance of its website, investor relations activity and ESG engagement.

Section 172(1) statement

This section of the strategic report describes how the directors have had regard to the matters set out in Section 172(1), and forms the directors' statement required under the Companies Act 2006. This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders.

Strong partnerships and understanding are essential to the creation of enduring worth. To be the best we can be, and to understand stakeholders' needs, we work hard to establish the most effective ways of engaging with them.

Engagement is important to us because it means we can understand stakeholder views and are able to respond in a meaningful and impactful way.

We gather feedback through continuous dialogue with our stakeholders throughout the year to gain an intimate understanding of their needs. It's only through this varied dialogue that we can improve as a business, consider our strategy and deliver on our purpose.

As detailed on the pages that follow, the Board's oversight of engagement with our stakeholders informs their principal decisions during the year.

Clients

At IBP, we are all about partnership, striving to build deep and long-lasting relationships with our clients.

What matters to them

- A dependable banking, wealth creation and wealth management partner
- Innovative and creative solutions
- Financial security
- Enhanced cyber security
- Competitive pricing
- Operational resilience
- Assurance as to the security of their funds.

How we engage

- Client engagement is managed on a day-to-day basis by senior management and client relationship managers. The Board receives regular updates from senior management on key client issues
- Client engagement methods have evolved during the COVID-19 pandemic, with face-to-face meetings becoming less frequent and a greater reliance on digital platforms and services
- Comprehensive, user-friendly website and mobile app
- Regular telephone and email communications
- Industry relevant events and client marketing events, both of which have moved to online platforms while most people continue to work from home for at least some of their working week.

FY2022 highlights

- We have further developed our 'One Investec' approach, which brings all of Investec that is relevant to every client. It is a coordinated approach with the client at the centre. In the UK mid-market, the breadth and diversity of offering to clients is unmatched. We have now integrated ourselves structurally around client groupings. This has enabled us to leverage the whole of our capability to provide solutions most relevant to clients' needs
- The private client franchise grew their client base by 18.0%, a large number of new clients were introduced via referrals by existing Investec clients.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

Our people*

Our people are at the heart of our business. We aim to be an organisation that values all of its people for their contributions and celebrates them for who they are.

What matters to them

- Learning, development and career progression
- Belonging, Inclusion and Diversity (BID). We continue to build an inclusive environment, improving representation with respect to gender and ethnicity, particularly at a senior level and within decision-making bodies, as well as enhancing opportunities for progression
- Wellbeing, especially during lockdowns and extended periods of working from home
- Fair remuneration
- Sustainable working practices
- Flexible working conditions and expectations around the future of work.

How we engage

- Designated non-executive director overseeing workforce engagement
- Staff updates and discussions hosted by the CEO, executive directors and/or senior management conducted via video and where possible in person to keep staff up to date with strategic priorities and performance
- Regular CEO staff communication including email updates, staff intranet, Microsoft Teams and other digital channels
- Induction training for new employees including a welcome from the CEO and senior management
- Tailored internal investor relations presentations on IBP results, strategy updates and general feedback from the market
- Dedicated comprehensive intranet with a wellbeing platform offering yoga classes, community engagement, direct access to psychologists, and a confidential employee helpline.

FY2022 highlights

- Launched a new app-based healthcare benefit in the UK, Peppy, providing support to employees through some of life's most difficult personal challenges including menopause, fertility and early parenthood
- Launch of Allies programme to equip colleagues with the skills to recognise and address micro-aggressions and challenge exclusion
- Reduced gender pay gap for the fourth consecutive year

* Includes permanent employees, temporary employees and contractors.

Debt investors

We engage with debt investors who hold instruments issued by IBP.

What matters to them

- Progress against strategic objectives
- Financial performance
- Credit ratings
- Capital and liquidity position
- Business sustainability
- Management expectations and guidance on future business performance
- Balance sheet resilience.

How we engage

- Regular meetings with executive directors, senior management and investor relations
- Stock exchange announcements
- Comprehensive investor relations website
- Investor roadshows and presentations
- Regular telephone and email communications
- Annual and interim reports.

FY2022 highlights

- Organised four debt roadshows in the UK/Europe which raised over £1.3bn of debt

Engaged with

>100

debt investors / lenders throughout the year

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

Communities

Our values of making an unselfish contribution to society, valuing diversity and nurturing an entrepreneurial spirit drive our commitment to support the communities in which we exist. Our focus is on education, entrepreneurship and the environment.

What matters to them

- Financial and non-financial support
- Time volunteered by our staff
- Education and learning opportunities
- Skills training and job creation
- Protecting the environment.

How we engage

- Regular in-person meetings, telephone/conference calls and emails with our community partners
- Comprehensive community website and social media platforms to encourage participation
- Staff volunteering
- Community partners and NGOs invited to collaborate at conferences and events.

FY2022 highlights

- Provided 137 entrepreneurs with professional advice through Bromley by Bow Centre
- 18 people involved in the Beyond Business Programme in the UK
- Delivered 120 virtual coaching sessions (60 hours) to five – nine year olds through a new literacy programme with Bookmark charity
- Provided £20 000 to £30 000 each of seed funding to four new social enterprises
- Arrival Education have adapted over the past two years to ensure that young people and volunteers could participate in the programme remotely. We have supported 1 995 Arrival Education learners in the UK over the past 14 years.

£1.7mn

spent on community initiatives (2021: £2.2mn)

Further information can be found in the Group's 2022 sustainability report which will be available on the Investec website at the end of June 2022.

Government and regulators

IBP is regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. We maintain continuous engagement with governments and regulators in our key markets to ensure our business adapts to evolving regulatory environments.

What matters to them

- Compliance with existing and evolving regulatory, legal and governance requirements
- Assurance that we have robust prudential standards and supervision in place
- Fair treatment of our clients and employees
- Financial and operational resilience in the face of changing market conditions
- Risk framework and appetite management
- Capital and liquidity stress testing
- Group tax strategy.

How we engage

- Our Chair, CEO, executive directors and the Board hold regular meetings with the UK Prudential Regulation Authority
- IW&I Head of Compliance and Risk has regular and ongoing interactions with the UK Financial Conduct Authority
- Active participation in a number of policy forums
- Engagement with industry consultative bodies.

FY2022 highlights

- Approval for the appointment of Henrietta Baldock as Chair of IW&I UK
- Engaged with regulators and industry bodies to ensure our compliance with the sanctions introduced as a result of the Russian invasion of Ukraine
- Updated our processes in accordance with the EU Payment Services Directive 2 (PSD2)
- Supported the transition to IBOR within our businesses.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

ESG analysts and climate-focused industry bodies

We are committed to supporting the transition to a clean and energy efficient economy and regularly engage with climate-focused industry bodies and analysts to discuss our evolving sustainability strategy.

What matters to them

- Our climate change position statement and climate change framework
- Managing and mitigating climate change impact within our operations (direct impact)
- Indirect climate change impact through our loan book and investment portfolio
- Addressing ESG risks within our business
- Our progress towards our net-zero carbon emissions commitment
- Reporting in line with industry standards.

How we engage

- Annual Investec sustainability report
- Comprehensive Investec sustainability website
- Comprehensive ESG disclosures, including a standalone TCFD report
- Sustainability factsheets
- The Investec Group CEO is a member of the UN Global Investors for sustainable development alliance
- Regular and active participation in a number of ESG and climate forums
- Commitment to industry standards including TCFDs and PCAF
- Regular knowledge sharing on ESG industry standards.

FY2022 highlights

- Tabled a voluntary climate resolution for the second time at the Investec Group AGM and received 99% support
- Implemented a new framework to link executive directors' remuneration to various ESG ratings.

Carbon neutral

Zero direct emissions, carbon neutrality in Scope 1 and 2 mainly through renewable electricity consumption with remaining unavoidable emissions of 17% offset through purchasing verified and high-quality carbon credits

Suppliers

We collaborate with suppliers and sub-contractors securely whom we expect to be resilient and to operate and behave in an environmentally and socially responsible manner.

What matters to them

- Compliance with applicable environmental, labour and anti-corruption laws and regulations
- Prompt payment practices
- Fair and transparent tender and negotiation practices
- Clear guidance on policies and procedures, such as due diligence and onboarding.

How we engage

- The procurement function is responsible for engaging suppliers, and other business functions will be involved as required. For example, the Investec Group sustainability team may conduct a sustainability and ESG review once a supplier is engaged
- Centralised negotiation process
- Procurement questionnaires requesting information on suppliers' environmental, social and ethical policies
- Due diligence on cyber security and business continuity.

FY2022 highlights

- We updated our critical supplier contracts in line with EBA regulatory guidelines
- We strengthened our Business Continuity and third party operational resilience through supplier assessment and engagement
- We improved our due diligence processes around financial crime, data security and financial screening.

All of our suppliers screened against ethical supply chain practices

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

Principal decisions

Here we outline how Board engagement with stakeholders has informed principal decisions during the year.

Supporting our people through the COVID-19 pandemic

Given the continued, far-reaching impact of the COVID-19 pandemic, the Board focused on the wellbeing of our people, and being front-footed with our clients and other stakeholders.

COVID-19 infections have continued to peak and trough in waves across our jurisdictions throughout 2021/22 with a variety of restrictions in place aligned with local government guidance. The current situation does not pose a significant risk, but there are potential psychological and burnout risks along with the need to support employees with hybrid working. The organisation continued to provide a range of interventions to support employees' needs with rapid access to in-house psychologists (Amplify-YP), facilitated conversations and targeted sessions around burnout and anxiety. Regular data from people engagement processes is utilised to identify timely interventions that are locally relevant and globally aligned.

For the Organisation we continue to identify the right future of work model using a hybrid approach. The Future World of Work project is looking into providing the right leadership capabilities to support and develop leaders.

Strategy in execution

Investec Group shareholders have a keen interest in the strategic progress made by the Group since the 2019 Capital Markets Day (CMD), with a particular interest in the progress made by the UK Specialist Bank. The Investec Group and IBP have worked diligently to simplify and focus the business to deliver improved returns. The Bank's performance is back to the levels seen in 2019, pre the COVID-19 pandemic, and is now positioned to continue capturing growth to build scale and relevance in the UK market. The Group Board has overseen the clear communication of strategic progress made, to investors and staff, in the form of an Investec plc business update presentation held in May 2021 which focused on the UK and Other strategy, staff presentations and in one-on-one dialogue with investors.

In line with our strategic growth plan driven by digitalisation to deliver scale and improved customer experience and operational efficiencies across the business, the Board approved the decision to adopt Monese's new BaaS platform which will accelerate IBP's transactional banking proposition and underpin the launch of a new business current account for private companies. The proposition received funding from the capability and innovation fund and took into account the desire to provide a cost effective and enhanced proposition for clients.

The Board has also focused on increasing connectivity across businesses and geographies and advancing One Investec. The appointment of Brian Stevenson (IBP Chair) to the Group Board, and of Henrietta Baldock (Group Non-Executive Director) to the Wealth & Investment UK Board as Chair has enhanced the Board's oversight of connectivity.

The Board considered the perspective of employees, ensuring that the evolution of the strategy has been communicated internally, that it is well understood and embedded at all levels of the business's operations.

Tabling a climate risk-related resolution at the Investec Group's 2021 AGM

The Investec Board takes ultimate accountability for climate-related issues, supported by a DLC Board-approved Social and Ethics Committee (of which IBP Non-Executive director, Moni Mannings is a member). This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks. With the Investec Group's South African business becoming the first bank in South Africa to release a separate report aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Investec has shown that sustainability is central to strategic direction.

Members of the Investec Group and IBP Boards regularly engage with a range of stakeholders (including shareholders, ESG analysts and rating agencies) on a number of climate-related and sustainability topics that are relevant for the business.

The Investec Group and IBP Boards acknowledge that climate change represents a material financial risk, and continue to oversee the evaluation of our exposure to understand and mitigate potential risks. The Boards recognise the opportunities that climate change present within our various business activities. All Board members have a strong awareness around climate-related and sustainability matters that was supplemented by presentations from internal and external parties during various Board meetings. The aim is to introduce targeted training to the Board over the next year.

Investec's ambition towards net-zero has been strengthened by Investec joining the Net-Zero Banking Alliance (NZBA) at the end of 2021, highlighting the urgency for faster, immediate and more ambitious climate action. Through the stewardship of the global sustainability team, the Investec Board engaged with a number of stakeholders regarding Investec's net-zero ambitions that led to tabling a second voluntary climate resolution at the August 2021 AGM. This resolution asked shareholders to "authorise and direct the Investec Group and its directors to commit to disclose:

- A baseline of the Group's scope 3 financed emissions;
- Our strategy to reduce scope 3 emissions; and
- Our short-, medium- and long-term targets to reach net-zero emissions and align with the Paris goals, based on a geographic approach that is guided by (but not limited to) the net-zero trajectories of our two core jurisdictions, being South Africa and the UK".

Investec Group shareholders voted overwhelmingly in favour of the resolution, which passed with a 99.9% vote, further highlighting the importance investors are placing on climate-related matters.

Following this resolution, through the stewardship of the global sustainability team, the Investec Board engaged with shareholders during roadshows to discuss and clarify any climate-related concerns. In addition, the Investec Investor Relations function received ad hoc requests to provide further clarification on the resolution.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

The Investec sustainability team also engaged with stakeholders to understand their views and expectations on climate disclosures and incorporate feedback from our 2021 TCFD report.

Questions largely focused on Investec's approach to calculating our net-zero emissions and our short-, medium- and long-term targets, as well as the climate-related skills of our Boards. During these engagements a definite sense of the increased importance of climate action was noted.

The decision to table a second climate risk-related resolution at the 2021 Investec Group AGM demonstrates Investec's commitment to addressing climate issues, and aligns with our purpose of living in, not off, society. Our delivery of this resolution is disclosed in the Group's 2022 climate-related financial disclosures report.

Further information on the Investec Group's ESG initiatives and progress can be found in the Investec Group's 2022 sustainability report which will be available on the Investec website at the end of June 2022.

Belonging, Inclusion and Diversity

The Board's commitment to Belonging, Inclusion and Diversity (BID) at IBP continues to be a key strategic objective, with a particular focus on appropriately balanced representation across different groups and identities and creating a culture and climate where a sense of belonging permeates. Stakeholders such as our employees, debt investors, ESG analysts, and clients remain interested in our progress.

During this year, the Board has continued to work towards our commitments to address inequalities. Key areas of our strategy have included increasing diversity representation in senior ranking roles and decision-making forums, improving leader capability and awareness, and ensuring our policies, practices and principles entrench a level playing field. The Board has endorsed a number of initiatives this year in support of our strategy including:

- The launch of Peppy Health app benefit, providing colleagues with support related to fertility, pregnancy, early parenthood and menopause
- A neurodiversity hub has been developed and working group set up in order to raise awareness and provide additional support to colleagues. 164 colleagues attended a series of events that raised awareness, facilitated discussion and provided support related to neurodiversity
- Our data collection project which was successful with 80% of colleagues choosing to share their ethnicity data allowing us to determine our racial composition and track progress
- As signatories to the Race at Work Charter, we are focused on the development of Black, Asian and Minority Ethnic colleagues and have an active representation group
- A pilot reverse mentoring programme with particular focus on creating a diverse cohort in terms of age, gender and race
- The implementation of mandatory training for all employees on Bullying, Harassment and Discrimination
- Provision of safe spaces for colleagues to participate in informal facilitated dialogue to reflect and share the impact of the murders of George Floyd, Sarah Everard as well as the alarming surge in anti-Semitism incidents and violence in the UK and many other countries
- A conversation with John Amaechi and our Executive took place to discuss how we can empower leaders to be more proactive and confident inclusive leaders and to increase understanding that diversity is not a zero sum game.
- The creation of a BID Champions network of knowledgeable, trained colleagues, committed to supporting BID and providing a local point of contact
- The launch of an Allies programme to equip colleagues with the skills to recognise and address micro-agressions, and challenge exclusion
- Our CEO Ruth Leas participated in the Women's Association CEO Challenge - a mentoring programme designed to give girls between the ages of 12 and 17 the opportunity to learn about life as an Executive
- For the third year running we are participating in the 30% Club mentoring scheme, a cross-company programme for women
- We have enhanced our support for those on family leave including partnering with Working Transitions to provide coaching to all employees taking a period of extended family leave.

This year we have also made notable progress in relation to the appointment of women into senior positions and into principal decision-making committees. We have exceeded the Women in Finance Charter target of 30% female representation at senior leadership by 2022 (33% in IBP excluding Investec Wealth & Investment Limited, 31% at Investec Wealth & Investment Limited as at March 2021). Of 241 external hires made during the year in IBP, 45% (FY2021: 46%) were female with 34% (FY2021: 29%) being minority ethnic. For the first time, our 2021 Diversity Pay Gap report included our ethnicity pay gap alongside the gender pay gap. While ethnicity pay gap reporting is not mandatory, we included these results following the same methodology as the gender pay gap. As at 5 April 2021 our gender pay gap was 26.2% (2020: 27.2%) and our ethnicity gap is at 12.9%.

IBP Board has also increased both its gender and ethnicity representation to 50% female and 40% Black, Asian and Minority Ethnic.

The Board recognises that maintaining a strong focus on Belonging, Inclusion and Diversity and having clear targets and measures to track progress is critical. BID is integral to Investec's purpose to 'Create enduring worth, living in society and not off it'. The Board firmly believes that improving representation and fostering inclusion and belonging will better enable us to meet our clients' needs.

Further information on our gender, diversity and transformation initiatives and progress can be found in the Investec Group's 2022 integrated annual report as well as in the Investec Group's 2022 sustainability report which will be available on the Investec Group website at the end of June 2022.

CASE STUDY

Building self-confidence, breaking down barriers

Our volunteers are building the confidence of young people to speak in public – helping them to seize opportunities by expressing their ideas with passion and clarity.

Communication remains one of the biggest barriers to achievement, with many young people – particularly those from lower income backgrounds – lacking the confidence and tools to express themselves. According to We Speak, a London-based social enterprise that enables mentors from top companies to share their skills and help young people speak comfortably in a work environment, over 50% of students don't feel confident sharing ideas in class.

During the year, 25 IBP volunteers from our offices in London, Edinburgh, Sheffield and the Channel Islands worked with We Speak to break down these barriers – helping young people with lower speaking confidence find their authentic voice and use it to speak in public, whether in class or at a job interview.

"We Speak is a great programme that is well suited to help beginners like me to get the hang of public speaking", explains one of the Investec team's students. "The mentor's ability to put people at ease through games and breakout rooms created a safe environment in which to share one's passions. Getting the chance to talk in front of professionals was a unique opportunity and their feedback was invaluable!"

"The mentor's ability to put people at ease through games and breakout rooms created a safe environment in which to share one's passions. Getting the chance to talk in front of professionals was a unique opportunity and their feedback was invaluable!"

Investec team student

Financial review

IN THIS SECTION

FINANCIAL REVIEW

Overview

Investec Bank plc reported an adjusted operating profit of £287.7 million for the year ended 31 March 2022 (2021: £108.3 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2021.

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income before expected credit loss impairment charges

Total operating income before expected credit loss impairment charges of £1 073.3 million was 14.6% higher than the prior year. The various components of total operating income are analysed below.

£'000	31 March 2022	% of total income	31 March 2021	% of total income	% change
Net interest income	496 308	46.2%	414 091	44.2%	19.9%
Net fee and commission income	494 232	46.0%	486 470	52.0%	1.6%
Investment income	10 579	1.0%	23 820	2.5%	(55.6%)
Share of post-taxation profit of associates and joint venture holdings	1 988	0.2%	1 768	0.2%	12.4%
Trading income/(loss) arising from					
– customer flow	60 372	5.6%	(11 025)	(1.2%)	>100%
– balance sheet management and other trading activities	(1 305)	(0.1%)	11 206	1.2%	(>100%)
Other operating income	11 158	1.0%	10 002	1.1%	11.6%
Total operating income before expected credit loss impairment charges	**1 073 332**	**100.0%**	**936 332**	**100.0%**	**14.6%**

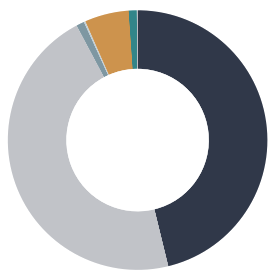
The following table sets out information on total operating income before expected credit loss impairment charges on loans and advances by division for the year under review:

£'000	31 March 2022	% of total income	31 March 2021	% of total income	% change
Wealth & Investment	347 182	32.3%	319 519	34.1%	8.7%
Private Banking	75 294	7.0%	36 536	3.9%	106.1%
Corporate, Investment Banking and Other	650 856	60.6%	580 277	62.0%	12.2%
Total operating income before expected credit loss impairment charges	**1 073 332**	**100.0%**	**936 332**	**100.0%**	**14.6%**

% of total operating income before expected credit loss impairment charges

31 March 2022

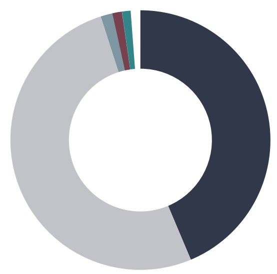
£1 073.3 million total operating income before expected credit loss impairment charges



Net interest income	46.2%
Net fee and commission income	46.1%
Investment income	1.0%
Share of post-taxation profit of associates and joint venture holdings	0.2%
Trading income arising from customer flow	5.6%
Trading income arising from balance sheet management and other trading activities	(0.1%)
Other operating income	1.0%

31 March 2021

£936.3 million total operating income before expected credit loss impairment charges



Net interest income	44.2%
Net fee and commission income	52.0%
Investment income	2.5%
Share of post-taxation profit of associates and joint venture holdings	0.2%
Trading income arising from customer flow	(1.2%)
Trading income arising from balance sheet management and other trading activities	1.2%
Other operating income	1.1%

FINANCIAL REVIEW
CONTINUED

Net interest income

Net interest income increased by 19.9% to £496.3 million (2021: £414.1 million), driven by higher average lending books and lower cost of funding, partially offset by the impact of the disposal of the Australian corporate book in March 2021.

For a further analysis of interest received and interest paid refer to page 202.

Net fee and commission income

Net fee and commission income increased by 1.6% to £494.2 million (2021: £486.5 million), given supportive market conditions, net organic growth in FUM of 2.9%, and increased fees from the Private Equity franchise due to strong origination and distribution activities, as well as higher advisory fees relative to the prior year. This was offset by lower lending fees and commissions due to the wind down of Australia and a reduction in equity capital markets activity off a high base. Commission income for Wealth & Investment returned to normalised levels following the exceptional transaction volumes seen in the prior year.

For a further analysis of net fee and commission income refer to page 202.

Investment income

Investment income of £10.6 million (2021: £23.8 million) was lower than the prior year due to non-repeat of a £13 million gain recognised from the formation of a joint venture with State Bank of India and the profit on sale of the IAPF management company. This was partially offset by unrealised gains in certain portfolios in the current year.

For a further analysis of investment income refer to page 203.

Trading income

Trading income from customer flow netted an income of £60.4 million (2021: loss of £11.0 million), due to significantly lower risk management and risk reduction costs associated with the structured products book (£5.9 million in 2022 vs £93.3 million in 2021).

Trading income from balance sheet management and other trading activities decreased to a loss of £1.3 million (2021: gain of £11.2 million) due to costs associated with the early redemption of a senior bond, MTM losses on balance sheet management instruments and the non-repeat of MTM gains in the prior year.

Other oprating income

Other operating income mainly consists of income earned on operating lease rentals.

Expected credit loss impairment charges

Total ECL impairment charges declined to £25.4 million (2021: £71.1 million), primarily due to lower specific impairments. The credit loss ratio reduced to 0.17% (2021: 0.56%), and the ECL coverage ratio of our Stage 1 loan book remained at 0.3%.

Stage 3 gross core loans subject to ECL decreased to £291 million (2.1% of gross core loans subject to ECL) at 31 March 2022 (31 March 2021: £332 million equating to 2.8% of gross core loans subject to ECL).

Refer to pages 72 to 78 for further information on asset quality and page 203 for a breakdown of the expected credit loss impairment charges.

FINANCIAL REVIEW
CONTINUED

Operating costs

Operating costs were broadly flat, increasing by 0.3% to £760.3 million (2021: £757.8 million). The reduction in fixed costs was offset by an increase in variable remuneration in line with improved business performance. The base includes one-off costs associated with the implementation of restructures as part of the strategy to simplify and focus the business, including related redundancies and the closure of operations in Australia. The cost to income ratio improved to 70.8% (2021: 80.9%).

The various components of operating costs are analysed below:

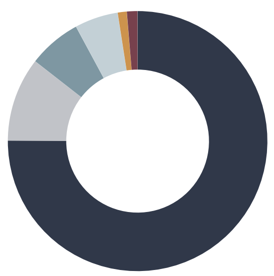
£'000	**31 March 2022**	**% of operating costs**	31 March 2021	% of operating costs	% change
Staff costs (including directors' remuneration)	553 767	72.8%	569 402	75.1%	(2.7%)
Premises expenses (including depreciation)	40 813	5.4%	41 060	5.4%	(0.6%)
Equipment expenses (excluding depreciation)	54 266	7.1%	49 305	6.6%	10.1%
Business expenses	90 407	11.9%	79 324	10.5%	14.0%
Marketing expenses	13 028	1.7%	8 639	1.1%	50.8%
Depreciation, amortisation and impairment of equipment and intangibles	8 005	1.1%	10 028	1.3%	(20.2%)
Operating costs	**760 286**	**100.0%**	**757 758**	100.0%	**0.3%**

The following table sets out information on operating costs by division for the year under review:

£'000	**31 March 2022**	**% of operating costs**	31 March 2021	% of operating costs	% change
Wealth & Investment	259 496	34.1%	245 175	32.4%	5.8%
Private Banking	42 034	5.5%	38 033	5.0%	10.5%
Corporate, Investment Banking and Other	458 756	60.4%	474 550	62.6%	(3.3%)
Operating costs	**760 286**	**100.0%**	**757 758**	**100.0%**	**0.3%**

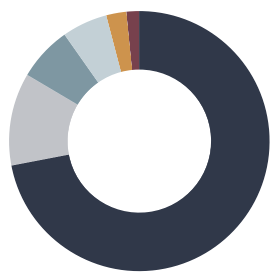
% of Operating costs

31 March 2022
£760.3 million total operating costs



Staff costs	72.8%
Business expenses	11.9%
Equipment expenses (excluding depreciation)	7.1%
Premises expenses (including depreciation)	5.4%
Marketing expenses	1.7%
Depreciation, amortisation and impairment of equipment and intangibles	1.1%

31 March 2021
£757.8 million total operating costs



Staff costs	75.1%
Business expenses	10.5%
Equipment expenses (excluding depreciation)	6.6%
Premises expenses (including depreciation)	5.4%
Marketing expenses	1.1%
Depreciation, amortisation and impairment of equipment and intangibles	1.3%

FINANCIAL REVIEW
CONTINUED

Adjusted operating profit

As a result of the foregoing factors, adjusted operating profit increased by 165.6% from £108.3 million to £287.7 million.

Impairment of goodwill

Goodwill in relation to Investec Ireland was written off in the prior year 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. There has been no impairment of goodwill in the current financial year.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £12.9 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Taxation on operating profit before acquired intangibles and strategic actions

The reduction in the effective operational tax rate from 29.6% to 14.8%, was driven by higher deferred tax assets on the back of higher enacted tax rates.

£'000	**2022**	2021	**31 March 2022 £'000**	31 March 2021 £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	14.8%	29.6%	42 174	31 270	34.9%

Balance sheet analysis

Since 31 March 2021:

- Total equity increased by 7.7% to £2.5 billion (2021: 2.4 billion), as a result of the increase in retained income.
- Total assets increased by 13.1% to £27.6 billion (2021: £24.4 billion), largely as a result of strong loan book growth.
- Total liabilities increased by 13.7% to £25.0 billion (2021: £22.0 billion), primarily driven by growth in customer accounts (deposits).

WEALTH & INVESTMENT

Business Head

Ciaran Whelan

Awards

Won 'Best UK Wealth Planning Team' and 'Best Diversity and Inclusion in Wealth Management' at the 2022 Wealth Briefing European Awards

Retained Defacto Gold rating for DFM Services

With over £44 billion of FUM, we are one of the UK's largest wealth and investment managers.

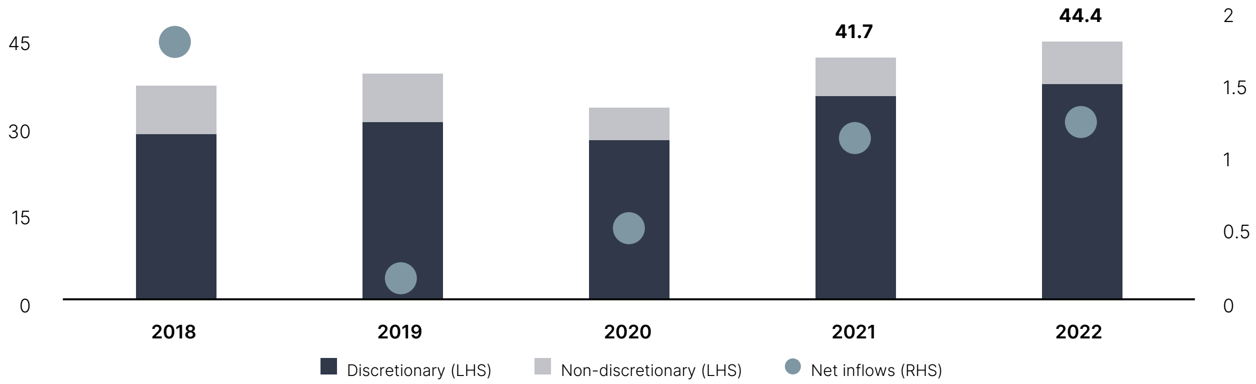
We work with individual clients to allow them to grow, enjoy and protect their wealth, and with charities and clients of professional advisers to help deliver optimal returns on their investments and to bring financial peace of mind.

Performance highlights

- A strong financial performance has resulted in operating profit of £87.7 million (17.9% above the prior year) and an operating margin for the UK domestic business of 27.0% (2021: 25.2%)
- Market recovery, continued net inflows and positive investment performance resulted in record FUM of £46.1 billion at 31 December 2021
- The final quarter of the financial year was impacted by global market volatility caused by the war between Russia and Ukraine, resulting in a closing FUM of £44.4 billion at 31 March 2022.

Funds under management and net flows

£'billion



Reasons for the variance in FUM since 31 March 2021

- Favourable market movements (MSCI PIMFA Balanced Index up 10.7%), somewhat offset by investment performance in the final quarter
- Net inflows of £1.2 billion resulting in net organic growth in funds under management of 2.9%.

Funds under management

£'million	31 March 2022	31 March 2021	% change
UK domestic (including Channel Islands)	**42 894**	**40 474**	**6.0%**
Discretionary	36 728	34 812	5.5%
Non-discretionary*	6 166	5 662	8.9%
Switzerland	**1 525**	**1 210**	**26.0%**
Discretionary	487	395	23.3%
Non-discretionary	1 038	815	27.4%
Total	**44 419**	**41 684**	**6.6%**

* Non-discretionary includes advisory-managed FUM of £1 627 million (2021: £1 829 million). Managed funds therefore represent 89% of the UK domestic total FUM at 31 March 2022 (2021: 91%).

Net inflows over the year

£'million	31 March 2022	31 March 2021
Discretionary	808	959
Non-discretionary	410	150
Total	**1 218**	**1 109**

FINANCIAL REVIEW
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2022	31 March 2021	Variance	% change
Net interest income	2 268	2 296	(28)	(1.2%)
Net fee and commission income	344 029	316 040	27 989	8.9%
Investment (loss)/income	(2)	272	(274)	(>100.0%)
Trading income arising from				
– customer flow	1 194	920	274	29.8%
– balance sheet management and other trading activities	(307)	(9)	(298)	(>100.0%)
Total operating income before expected credit loss impairment charges	**347 182**	**319 519**	**27 663**	**8.7%**
Of which: UK domestic	338 322	311 576	26 746	8.6%
Of which: Switzerland*	8 860	7 943	917	11.5%
Expected credit loss impairment charges	(5)	(4)	(1)	25.0%
Operating income	**347 177**	**319 515**	**27 662**	**8.7%**
Operating costs	(259 496)	(245 175)	(14 321)	5.8%
Of which: UK domestic	(247 729)	(233 100)	(14 629)	6.3%
Of which: Switzerland*	(11 767)	(12 075)	308	(2.6%)
Adjusted operating profit/(loss)	**87 681**	**74 340**	**13 341**	**17.9%**
Of which: UK domestic	90 593	78 476	12 117	15.4%
Of which: Switzerland*	(2 912)	(4 136)	1 224	(29.6%)
Key income drivers				
Operating margin	25.3%	23.3%		
Of which: UK domestic#	27.0%	25.2%		
Net inflows in FUM as a % of opening FUM	2.9%	3.3%		
Average income yield earned on FUM^	0.81%	0.85%		
Of which: UK domestic	0.81%	0.86%		

* The results of the Switzerland business have been reported separately to demonstrate the value of the UK domestic business. Following a strategic review, our Swiss operations are being restructured to play a key role in the Group's strategic expansion of its international banking and wealth services.

\# The calculation of the operating margin for the UK domestic business excludes net interest expense of £755 000 (2021: £508 000) relating to net interest income earned on the firm's cash deposits and the IFRS 16 Leases interest expense on right-of-use assets. This presentation is consistent with wealth managers that are not part of a banking group and are therefore not required to report in accordance with the presentation and disclosure standards for banks. Excluding this adjustment, the operating margin for the UK domestic business would be 26.8% (2021: 25.2%).

^ The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not adjust for the impact of market movements and investment performance throughout the period on funds under management or the timing of acquisitions and disposals (where applicable) during the respective periods.

Other factors driving the performance in the year under review included

- Net fee and commission income increased by £28.0 million (8.9%) as a result of higher market levels and positive net organic growth in FUM (in the current and prior year). Commission income returned to a more normalised level following the exceptional transaction volumes seen in the prior year, resulting in a lower average income yield.
- Operating costs were up 5.8% due to investment in technology, increased discretionary expenditure as COVID-19 related restrictions eased, as well as higher variable remuneration in line with business performance.

WEALTH & INVESTMENT
CONTINUED

Strategy execution
Belonging, Inclusion and Diversity (BID) highlights
- We launched an Inclusive Allies programme to educate colleagues about how to be an effective ally to marginalised groups
- Our new app-based healthcare benefit, Peppy, which was launched in the year under review is giving colleagues access to personalised support through life events, including menopause, fertility and early parenthood
- We celebrated neurodiversity using employee focus groups to shape our approach and ensuring our recruitment processes are inclusive and supportive for neurodivergent thinkers
- Our commitments to the Women in Finance Charter progressed, evidenced by our over 30% representation of women in senior leadership roles, and 50% female Board representation in the UK.

Sustainability highlights
- We continued to focus on investing responsibly on behalf of clients, with environmental, social and governance (ESG) considerations integrated into our investment process and active engagement with the businesses that we invest in
- Our executive team and Investment & Research Office are enhancing sustainable finance knowledge through the Cambridge Institute for Sustainability Leadership programme
- We are sponsoring the Blue Economy Ocean Accelerator programme, which is aimed at supporting entrepreneurial SME businesses to make a meaningful impact on the ocean.

Overall
- In line with our One Investec objective, we seek to provide integrated solutions to clients through access to Group-wide products and services on offer. Successful referrals between the Specialist Banking and the Wealth & Investment businesses resulted in £473 million of incremental FUM and £105 million of new lending
- We have revised our remuneration approach to improve the alignment between performance incentives and our strategic goals, culture and values
- Our client-facing teams and the Investment & Research Office have been focused on ensuring our direct clients, charities, and independent financial advisors benefitted from the positive market movements seen in the first three quarters, and were adequately supported through the market volatility in the final quarter.

Growth opportunities and outlook
- Following the formation of our new Investment & Research Office, we are improving the consistency and quality of our investment offering, including updating our Strategic Asset Allocation to broaden our exposure to global market opportunities and differentiated asset classes
- Our priority is organic growth in our key channels, namely direct clients, charities, and intermediaries; however, we remain alive to opportunities arising from industry consolidation
- We will continue to focus on our value proposition in relation to advice capabilities and a coordinated banking and wealth management offering to HNW clients.

SPECIALIST BANKING OVERVIEW

Business Head
Ruth Leas

Awards

- **Recognised as the 'Best-performing bank in the UK' by The Banker, 2021**
- **Won 'Best Specialist ESG Research' at the 2022 ESG Investing Awards**
- **Won 'Lender of the Year' at the 2022 Private Equity Awards**
- **Won 'Best Leasing and Asset Finance Provider' and 'Best Business FX Provider' at the 2022 Business Moneyfacts Awards**

Highlights

Adjusted operating profit
£200.0mn
(2021: £34.0mn)

Net core loans
£14.4bn
(2021: £12.3bn)

Cost to income
69.0%
(2021: 83.0%)

Credit loss ratio
0.17%
(2021: 0.56%)

Overview of performance in the year under review
- The business delivered a commendable set of results, slightly ahead of pre-COVID levels of profitability with an enhanced quality of earnings. Continued client acquisition supported strong loan book growth of 17.2% since 31 March 2021, or 18.7% excluding the Australian book exit
- We are proud to have beaten our targets for HNW banking to breakeven by March 2022, having delivered increased levels of profitability and client acquisition despite the challenging conditions brought by the COVID-19 pandemic
- Risk management and risk reduction costs associated with the UK structured products book were immaterial at c.£5.9 million, compared to a £93 million loss incurred in the prior year
- Operating costs were broadly flat, declining by 2.3% year on year. The reduction in fixed costs was offset by an increase in variable remuneration in line with improved business performance. The prior year included one-off costs associated with restructures implemented in the period
- Pre-provision adjusted operating profit was up 114% to £225.4 million (2021: £105.1 million)
- ECL impairment charges of £25.4 million were materially below the prior period (2021: £71.1 million), primarily due to lower specific impairments
- These results are underpinned by positive momentum in our client franchises and strategic cross-collaboration within the One Investec client ecosystem. See more on this enhanced collaboration in the pages that follow.

Income statement

£'000	31 March 2022	31 March 2021	Variance	% change
Net interest income	494 040	411 795	82 245	20.0%
Net fee and commission income	150 204	170 430	(20 226)	(11.9%)
Investment income	10 581	23 548	(12 967)	(55.1%)
Share of post-taxation profit of associates and joint venture holdings	1 988	1 768	220	12.4%
Trading income/(loss) arising from				
– customer flow	59 178	(11 945)	71 123	>100.0%
– balance sheet management and other trading activities	(998)	11 215	(12 213)	(>100.0%)
Other operating income	11 158	10 002	1 156	11.6%
Total operating income before expected credit loss impairment charges	**726 151**	**616 813**	**109 338**	**17.7%**
Expected credit loss impairment charges	(25 358)	(71 130)	45 772	(64.3%)
Operating income	**700 793**	**545 683**	**155 110**	**28.4%**
Operating costs	(500 790)	(512 583)	11 793	(2.3%)
Operating profit before goodwill, acquired intangibles and strategic actions	**200 003**	**33 100**	**166 903**	**>100.0%**
Loss attributable to non-controlling interests	—	861	(861)	(100.0%)
Adjusted operating profit	**200 003**	**33 961**	**166 042**	**>100.0%**

SPECIALIST BANKING OVERVIEW
CONTINUED

Enhanced collaboration through integration

A key strategic differentiator is our client ecosystem approach, taking our clients along both the personal and business journey.

Our approach of 'One Investec' brings all of Investec that is relevant to each and every client. It is a coordinated approach with the client at the centre, supporting meaningful and long-lasting client relationships with Investec.

In the UK mid-market, we are centred on what is best for the client, with the breadth of our capabilities differentiating us from our competitors in terms of the diversity of offering we can bring to our clients. One Investec allows us to provide our clients with the focus of a boutique, backed with the power of a bank.

We have integrated ourselves structurally through organising our business activities around target client groupings. This enables us to leverage the whole of Investec's capability to provide solutions most relevant to clients' needs.

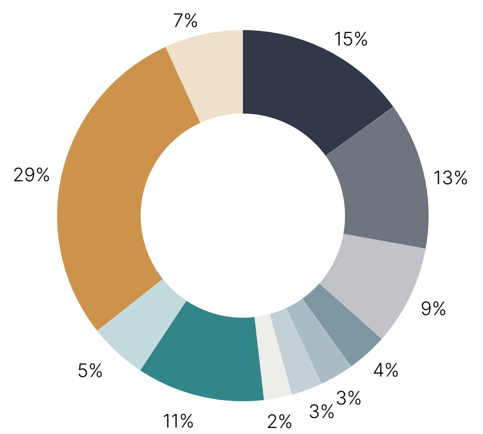
Our focus on connectivity and collaboration is delivering strong results.

In FY2022

- Individual franchises are growing and co-generating new Bank value between them
- New value grown by our franchises sharing clients: there were 661 inter-bank referrals, generating new business predominantly through lending, advisory fees, and trading activity
- Enhanced connectivity with UK Wealth & Investment: Bank referred and created £473 million of incremental funds under management (FUM) to the UK Wealth & Investment business
- Unlocking significant client value: collaboration has supported an increase in the average number of products per core client
- Notably strong loan book growth (up 17.2%), particularly compared to our peers, as a result of our collaborative, One Investec approach.

Diversified loan book by risk category: Core loans

£14.4 billion



Corporate and other lending	**48%**
Asset finance	15%
Corporate and acquisition finance	13%
Fund finance	9%
Power and infrastructure finance	4%
Other corporate and financial institutions and governments	3%
Asset-based lending	3%
Aviation finance	2%
Lending collateralised by property	**16%**
Commercial real estate	11%
Residential real estate	5%
High net worth and other private client lending	**36%**
Mortgages	29%
HNW and specialised lending	7%

Highlights: Sustainability

- Closed Investec Bank plc's first Sustainability Linked Loan for USD600 million funding which was three-times oversubscribed
- Won 'Best Specialist ESG Research' at the 2022 ESG Investing Awards
- Embedded an ESG framework (including diligence, internal ratings and mappings to the SDGs, and ongoing monitoring) into our investment process for private equity clients
- Experienced strong deal flow for Power and infrastructure finance, sourcing financing opportunities for wind and solar development as well as other energy transition strategies such as electric vehicle charging stations
- Launched a Renewable Energy Funding proposition to fund small ticket renewable energy assets to support UK SMEs and corporates in their transition to net zero
- Founding member of 'Sustainable Trading', a non-profit membership dedicated to transforming ESG practices within the financial markets trading industry
- Signed up to the UN-convened Net-Zero Banking Alliance which is committed to aligning lending and investment portfolios with net-zero emissions by 2050.

Highlights: Belonging, Inclusion and Diversity (BID)

- We have a female CEO and currently have 50% females and 40% people of colour on the Investec Bank plc Board. Our senior leadership has 35% female representation and 35% ethnic minority representation
- Introduced our first reverse mentoring programme for Black, Asian and minority ethnic employees, which aims to facilitate reciprocal learning and enable the organisation to harness the value of difference
- Launched our inaugural Allies programme and BID Champion network
- Joined the Diversity Project (a cross-company initiative), the aim of which is to create a truly diverse and inclusive UK investment and savings industry
- Launched a new app-based healthcare benefit (Peppy Health) for employees, providing support with fertility, menopause, and early parenthood
- Reduced our gender pay gap, reflecting a continuous year-on-year improvement since 2017, and, for the first time, voluntarily included our ethnicity pay gap results.

PRIVATE BANKING

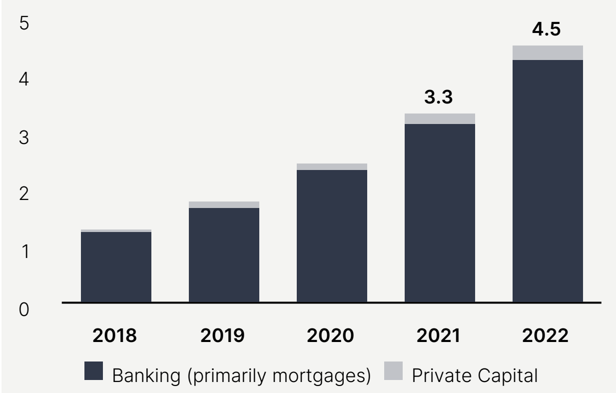
Our Private Banking activities focus on providing bespoke solutions underpinned by in-depth knowledge and understanding of our clients' personal and business aspirations and goals, supported by a broad private banking offering. We understand that every client is an individual, and that they are typically active wealth creators with complex financial needs. Our proposition is aligned with a clearly defined target client base and a market opportunity to address an underserviced part of the UK market. This segment predominantly comprises lending to HNW clients: primarily residential mortgages, as well as flexible capital solutions for established privately owned businesses and entrepreneurs (Private Capital).

Performance in the period under review

- Our Private Banking activities delivered a strong financial performance, reporting an adjusted operating profit of £30.8 million (compared to a net loss of £3.0 million in 2021). This level of profitability significantly exceeds our stated ambitions to breakeven by March 2022 – a noteworthy milestone achieved during a three-year period that was marked by COVID-19 related volatility.
- Net interest income increased materially compared to the prior year (up >100%), driven by strong loan book growth of 35.1% since 31 March 2021 and lower funding costs.

Loans and advances to customers

£'billion

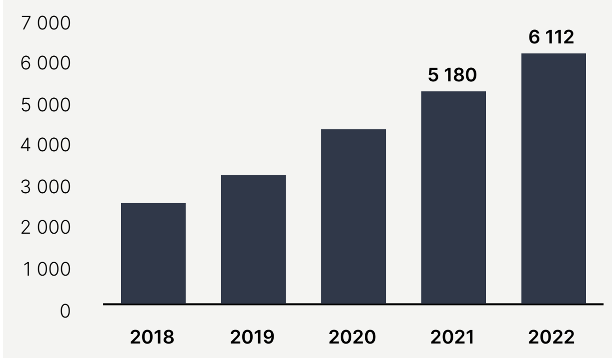


Loan book growth:

- Strong loan book growth for both HNW banking and Private Capital, up 35.5% and 28.4%, respectively, since 31 March 2021 – driven by focused execution of strategy and continued client acquisition
- The business experienced significantly higher activity levels this year, particularly in the month of June when demand for residential mortgages accelerated ahead of the deadline for the COVID-19 related Stamp Duty relief in the UK
- The book growth was achieved without compromising margins and underlying credit quality in an increasingly competitive market.

Note: In addition to the loan book shown above, our Channel Islands business had c.£500 million of mortgages as at 31 March 2022.

UK HNW client acquisition



Continued success in client acquisition:

- We acquired 1 137 new clients over the period – a number of which were introduced via referrals by existing Investec clients
- Aligned to our One Investec approach, this offering serves as a valuable client acquisition tool for the wider UK Bank and Wealth & Investment businesses: our clients have an average income of £700 000+ and average NAV of £11 million (well above our quantitative criteria)
- HNW mortgage lending is focused on target clients with lending in established areas (London and the South East) with recourse to the individual and high level of cash equity contributions into transactions
- The majority of our HNW clients are UK resident (only a small proportion of this client base is South African).

Note: In addition to these client figures, our Channel Islands business has c.870 HNW clients. This brings our total number of HNW clients to 6 982 – exceeding our three-year target of 6 500 HNW clients by March 2022.

Strategy execution

- The results reflect our continued success in executing our HNW client acquisition strategy, translating into strong growth in lending, profitability, and market share. This HNW client activity also connects to the rest of the client ecosystem, where our client-centric, One Investec approach enables us to win mandates in other areas
- We continue to collaborate with our Wealth & Investment business to provide an integrated HNW proposition. In addition, the ability to provide our UK private banking offering to South African clients seeking an international proposition continues to be a key differentiator for the Group
- Our growing Private Capital offering is addressing a gap in the UK market, providing capital directly to owner-managed businesses and their owners. These HNW clients value our innovative, flexible approach to understanding both their business and personal assets. Our growth has been supported by collaboration with our HNW banking proposition, as many of our clients are also banked by us through their mortgages.

PRIVATE BANKING
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2022	31 March 2021	Variance	% change
Net interest income	70 692	34 664	36 028	>100.0%
Net fee and commission income	1 556	644	912	>100.0%
Investment income	816	19	797	>100.0%
Trading income arising from				
– customer flow	2 228	1 196	1 032	86.3%
– balance sheet management and other trading activities	2	13	(11)	(84.6%)
Total operating income before expected credit loss impairment charges	**75 294**	**36 536**	**38 758**	**>100.0%**
Expected credit loss impairment charges	(2 432)	(1 515)	(917)	60.5%
Operating income	**72 862**	**35 021**	**37 841**	**>100.0%**
Operating costs	(42 034)	(38 033)	(4 001)	10.5%
Adjusted operating profit/(loss)	**30 828**	**(3 012)**	**33 840**	**>100.0%**
Key income drivers				
Cost to income ratio	55.8%	104.1%		
Growth in loans and advances to customers	35.1%	37.2%		

Other factors driving the performance in the period under review included
- Adjusted operating profit of £30.8 million (compared to a net loss of £3.0 million in the prior year) reflects ongoing strategic execution in growing the business to scale by leveraging existing infrastructure.
- Growth in net interest income (>100%) was driven by a higher average loan book and an improved net interest margin – primarily due to higher lending activity and lower funding costs.
- ECL impairment charges for the period increased to £2.4 million (2021: £1.5 million) driven by book growth and seasoning of the loan book. The credit loss ratio on this book is c.5bps, indicative of the quality of the underlying franchise. Refer to page 72 for further information on IBP's asset quality.
- Operating costs increased by £4.0 million or 10.5%, reflecting normalised discretionary expenditure post the COVID-19 related lockdowns as well as increased variable remuneration in line with improved business performance.

Growth opportunities and outlook
- Notwithstanding our success to date in building scale and relevance, we believe we are only beginning to capitalise on the existing market opportunity. We are seeing growing demand for our efficient, refreshingly human private client offering. We have proven the concept: our journey to profitability – particularly in turbulent times – evidences the clear market opportunity and the strength of our proposition to capture it. Now it is all about scale
- We have partnered with Monese, a leading pan-European fintech, to evolve and transform our transactional banking offering. This strategic partnership will enable us to leverage Monese's agility, expertise, and digital capabilities to bring accelerated efficiency and enhancements to our private client transactional banking offering
- We are excited about the sizeable opportunity that exists to provide our clients with an integrated banking and wealth management offering. Over 80% of our HNW banking clients do not currently have a relationship with our Wealth & Investment business, with significant levels of wealth currently sitting with other financial institutions. In addition, there are a number of clients of the Wealth & Investment business who are seen as potential target clients for the Bank. We continue to enhance collaboration to provide a holistic proposition for our HNW clients' growth journeys
- Having established a strong presence in the market over the last four years, our Private Capital business is in growth mode, focused on increasing lending at pace through deepening existing relationships and further client acquisition
- We are focused on maintaining business momentum and generating a stable annuity income stream for the Group, while investing with discipline in the required technology to support our growth to scale.

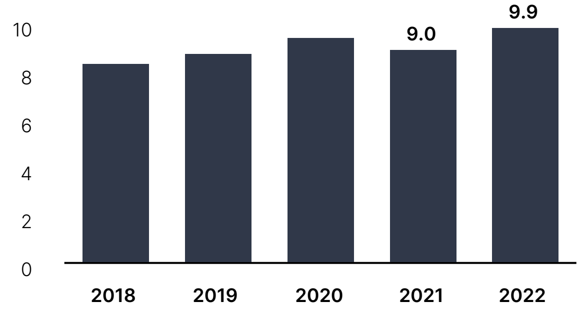
CORPORATE, INVESTMENT BANKING AND OTHER

This segment comprises business activities that provide capital, advisory and risk management services to growth-orientated corporate clients in the private companies, private equity and listed companies arenas, including specialist sector-focused expertise. This segment also comprises our central treasury and liability management channels.

Performance in the period under review

- The results reflect a strong performance, with an adjusted operating profit of £169.2 million (2021: £37.0 million). The significant improvement in performance is largely attributable to the strategic changes we implemented, improved market conditions, and increased client activity as economies opened up and bounced back from the COVID-19 pandemic.
- Net interest income increased by £46.2 million (12.3%) to £423.3 million, driven by higher lending activity and lower funding costs.
- Impairment charges were considerably lower (down 67.1% to £22.9 million) due to an improved macro-economic outlook and limited specific impairments.

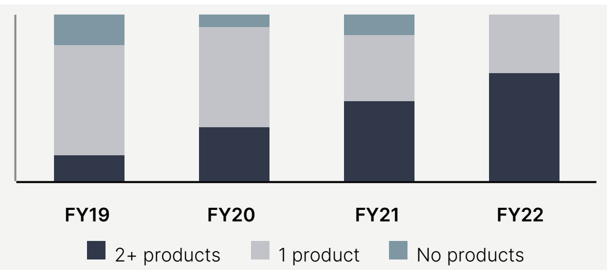
Loans and advances to customers
£'billion



Robust book growth
- The net core loan book grew by 10.4% since 31 March 2021 to £9.9 billion, or 12.2% excluding the Australian book exit
- Lending activity increased significantly across all portfolios, supported by new client acquisition as we continue to build scale and relevance in our client franchises, and repeat business with existing clients
- We also experienced continued success with our origination and distribution strategy, particularly in the lending areas of Fund Solutions, Power and infrastructure finance and Growth & Leverage finance, generating additional ROE-accretive revenue for the Group.

Spotlight on our Private Equity franchise
- We have a fully integrated proposition spanning advisory (M&A and IPO), capital solutions (leverage finance and fund level finance) and risk management (currency and interest rate hedging) for private equity funds and their portfolio companies
- We have a broad European footprint with activity weighted to the UK, complemented by fast-growing continental European activity levels, aided through a minority stake in Capitalmind, an M&A boutique
- Over the past three years, we have focused on unlocking value by offering an integrated, multi-product solution to a targeted group of clients. The benefit of this collaborative client focus is delivering strong performance:
  - Revenue from these clients increased by over 40% in FY2022
  - Increasingly, our clients are taking more products – two-thirds of these particular clients now have at least two products
- Opportunity remains to do more with these clients and to replicate our multi-product strategy more broadly.

Product capture per client (targeted group)
100%



Winner
Savings Provider of the Year
(Moneynet Awards 2021)

Winner
Broker Champion Lessor
(Leasing World, Gold Awards 2021)

Research rank across seven sectors
#1
(2021 Institutional Investor's UK Small & Mid-Cap survey)

Broker rank
#2
(2021 Institutional Investor's UK Small & Mid-Cap survey)

Winner
Conventional Power Lead Arranger of the Year
(Power Finance & Risk Annual Deals and Firms of the Year Awards 2021)

Winner
Fund Financing Provider of the Year
(Drawdown Awards 2022)

Winner
Best Fund Financing Solution
(Private Equity Wire European Awards 2022)

Winner
Mid-Market Lender of the Year
(Real Estate Capital Europe Awards 2021)

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2022	31 March 2021	Variance	% change
Net interest income	423 348	377 131	46 217	12.3%
Net fee and commission income	148 648	169 786	(21 138)	(12.5%)
Investment income	9 765	23 529	(13 764)	(58.5%)
Share of post-taxation profit of associates and joint venture holdings	1 988	1 768	220	12.4%
Trading income/(loss) arising from				
– customer flow	56 950	(13 141)	70 091	>100.0%
– balance sheet management and other trading activities	(1 000)	11 202	(12 202)	(>100.0%)
Other operating income	11 158	10 002	1 156	11.6%
Total operating income before expected credit loss impairment charges	**650 857**	**580 277**	**70 580**	**12.2%**
Expected credit loss impairment charges	(22 926)	(69 615)	46 689	(67.1%)
Operating income	**627 931**	**510 662**	**117 269**	**23.0%**
Operating costs	(458 756)	(474 550)	15 794	(3.3%)
Operating profit before goodwill, acquired intangibles and strategic actions	**169 175**	**36 112**	**133 063**	**>100.0%**
Profit attributable to non-controlling interests	—	861	(861)	(100.0%)
Adjusted operating profit	**169 175**	**36 973**	**132 202**	**>100.0%**
Key income drivers				
Cost to income ratio	70.5%	81.7%		
Growth in loans and advances to customers	10.4%	(4.6%)*		

* Growth in loans and advances to customers for FY2021 was negatively impacted by the sale of the c.£400 million Australian loan book in March 2021. There was marginal book growth excluding the Australian loan book.

Other factors driving the performance in the period under review included

- The £46.2 million increase in net interest income was primarily driven by higher average loan books across a number of portfolios, reduced funding costs as liabilities repriced, utilisation of excess liquidity and accelerated effective interest rate (EIR) fees
- Net fee and commission income decreased by £21.1 million to £148.6 million, impacted by the wind down of the Australian business and the restructure of operations in India (whereby earnings from the joint venture are now reflected as fair value movements within investment income). Lower advisory fees in the listed companies space were offset by higher advisory fees from the private equity client franchise
- Investment income of £9.8 million was £13.8 million lower than the prior year due to non-repeat of a £13 million gain recognised from the formation of a joint venture with State Bank of India and the profit on sale of the IAPF management company. This was partially offset by unrealised gains in certain portfolios in the current year
- Trading income from customer flow was significantly higher than the prior period as a result of immaterial risk management and risk reduction costs associated with the UK structured products book in the current year (£5.9 million) due to risk mitigation strategies and improving markets (2021: £93 million)
- Trading income from balance sheet management and other trading activities cost was primarily driven by costs associated with the early redemption of a senior bond and the non-repeat of prior year gains which followed extreme COVID-19 related volatility
- Other operating income of £11.2 million (2021: £10.0 million) primarily reflects the fair value movements of the Ninety One shares held in the Group's staff share scheme as a result of the demerger and separate listing of Ninety One. The impact is reduced by a corresponding increase in personnel costs
- Expected credit loss impairment charges of £22.9 million were 67.1% lower than the prior period, primarily due to lower specific impairments. Refer to page 72 for further information on IBP's asset quality
- Operating costs decreased by 3.3% to £458.8 million. A reduction in fixed costs was offset by an increase in variable remuneration in line with improved business performance. The base includes one-off costs associated with the implementation of restructures as part of the Group's strategy to simplify and focus the business, including related redundancies and the closure of operations in Australia.

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Strategy execution

- The business is delivering on its growth phase in the journey to enhance shareholder returns. Our success to date in building scale and relevance in the UK market is reflected in solid loan book growth, increased client activity and client acquisition across our business
- Our One Investec approach – underpinned by connected client ecosystems – has led to an increased number of multi-product clients and a pipeline of additional opportunities
- The strength of our client franchises has been independently recognised through the numerous awards we have won
- We are focused on digitalisation to deliver scale, investing in technology for longer-term growth and efficiency. Our strategic partnership with fintech, Monese, has been the catalyst for accelerating our digital transformation. We are currently in a beta phase testing the new business current account, and expect to launch our new private client transactional banking offering in the latter half of this financial year
- We continue to generate diversified, capital light earnings by utilising third party capital to facilitate our highly successful origination and distribution capability. In addition to accelerated growth in our existing fundraising capabilities for Fund Solutions and Power and infrastructure finance, similar strategies for Growth & Leverage finance and Real Estate lending have positioned us well to further diversify this income stream
- In terms of funding, the transition of our retail funding to more digital and scalable platforms has continued with pace. Through these channels in the financial year we delivered growth of £3.2 billion of funding through our new digital savings platform – broadening our retail funding base and delivering a reduction in our cost of funds. This has aided our competitiveness in the market and contributed to an improved net interest margin.

Growth opportunities and outlook

- We expect business momentum to continue, supporting a future of disciplined growth on a platform of resilience
- Aligned to our organisational purpose of 'living in, not off, society', our Belonging, Inclusion and Diversity (BID) focus is on inclusive leadership and creating an environment where a sense of belonging permeates
- A key strategic differentiator (our One Investec, client ecosystem approach) will continue to drive success in leveraging the whole of Investec's capability to provide solutions for clients. Further collaboration with our Wealth & Investment business and the wider Investec Group is expected to unlock value
- With respect to sustainability, we are focused on embedding an ESG mindset that is fully integrated in our support for clients. We will continue to grow our sustainability offering to support our clients with renewable energy financing and innovative debt structuring
- Our international partnerships in Continental Europe (with Capitalmind) and the USA (with BlackArch) continue to facilitate an expansion of our cross-border M&A advisory services
- We expect to grow our corporate brokerships and research client base in the UK as a result of investing in new sectors and improving sector capability, while recent strategic hires in our US Equities business support our ambitions to increase market share in North America
- The scale of the underserviced UK private companies market represents a significant opportunity for growth: 20 000 UK private companies have been identified as potential new clients for our comprehensive suite of banking products. We have made good progress developing our client proposition, including greater automation of our asset finance business and further development of our online FX portal
- We intend to raise additional third party capital through funds and syndications to support a wider client offering and to generate further capital light revenue for the Group.

03

Risk management and governance

IN THIS SECTION

RISK MANAGEMENT

Overview of disclosure requirements

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report on pages 68 to 112 with further disclosures provided within the annual financial statements section on pages 167 to 290.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. Where applicable, definitions can be found in the definitions section of this report.

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

IBP also publishes a separate Pillar III disclosure report as required under Part 8 of the Capital Requirements Regulation pertaining to banks in the United Kingdom (UK). This can be found on the Investec Group's website.

A summary of the year in review from a risk perspective

The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework which is assessed with consideration of prevailing market conditions and overall Investec Group strategy. The primary aim is to achieve a suitable balance between risk and reward in our business.

We are comfortable that we have a strong balance sheet with high levels of liquidity, strong capital and low leverage as well as established risk management processes and systems in place to navigate through the continued uncertainty emanating from ongoing inflationary pressures and the economic effects of the invasion of Ukraine. The Bank is well positioned for growth and to serve its carefully chosen client base.

IBP's long-term Moody's deposit rating is A1 (stable outlook). IBP's long-term Fitch rating is BBB+ with the outlook now improved to stable from negative, following review by Fitch.

Activity levels increased further during the financial year as clients were in a position to make investment decisions given the greater macro-economic certainty that existed and with the backdrop of an increased forward-looking rate environment. Increased client activity and higher lending turnover resulted in an increase in the Bank's net core loan book by 17.2% to £14.4 billion. Growth in net core loans was driven by the private client residential mortgage portfolio as well as corporate client lending portfolios across multiple asset classes.

Credit exposures are focused on secured lending to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continued to favour lower risk, income-based lending, with exposures well collateralised and with credit risk taken over a short to medium term. We remain focused on our target market, supporting clients with significant wealth and experience in their chosen sectors, as indicated by our continued growth in the private banking space as we execute on our strategy to target this sector of the market. Over the past few years we have realigned and rebalanced our portfolios in line with our risk appetite framework and this is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a proportion of net core loans.The Bank's net core loan exposures remain well diversified with commercial rent producing property loans comprising approximately 9.2% of net core loans, other lending collateralised by property 7.0%, high net worth and other private client lending 35.6% and corporate and other lending 48.2% (with most industry concentrations well below 5%).

We remain confident that we have a well-diversified portfolio across sectors and have no direct exposure to Russia or Ukraine.

Although the current macro-environment remains uncertain, the Group was able to improve asset performance and risk metrics throughout the year in review. The credit loss ratio is well below 'through-the cycle' levels at 0.17% at 31 March 2022 down from 0.56% reported at 31 March 2021, which is below normalised levels due to limited Stage 3 impairments.

Stage 3 exposures reduced to £291 million at 31 March 2022 or 2.1% of gross core loans subject to ECL (31 March 2021: 2.8%) due to a number of successful exits from existing Stage 3 positions offset by limited new defaults. These exposures are adequately provisioned. Stage 3 coverage reduced due to certain exits (and requisite write-offs) of previously provided for exposures.

Stage 2 exposures reduced to £992 million or 7.1% as a proportion of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 10.3%), but still remain elevated relative to pre-pandemic levels reflecting the continued uncertainty in the macro-economic environment, particularly with respect to inflation.

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

The management ECL overlay totals £16.8 million and seeks to capture the significant level of judgement required in the application of macro-economic scenarios as well as the ongoing uncertainty in the UK and global operating environment that is not currently captured completely by modelled outputs. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

Further detail on key judgements can be found on page 85.

RISK MANAGEMENT
CONTINUED

There has been significant progress globally with respect to ESG considerations over the period, providing momentum to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world. We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG. These considerations are integrated as part of our credit decision-making and we have taken steps to calculate a baseline with respect to the Group's Scope 3 emissions.

Risk management and risk reduction costs associated with the structured products book were immaterial at c.£5.9 million, compared to a £93 million loss incurred in the prior year underpinned by risk mitigation strategies implemented on the book, improving markets and a reduction in the size of the remaining book. The macro hedge implemented in the prior year remains in place and has provided downside protection in the event of another extreme market dislocation. At 31 March 2022, the 95% one-day Value at Risk (VaR) measure was £0.4 million, reduced from £0.5 million at 31 March 2021.

We have reduced our investment portfolio exposure in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises. The investment portfolio on the balance sheet reduced by 5.0% over the year under review to £333 million at 31 March 2022.

The Bank continued to maintain a sound balance sheet with a low gearing ratio of 10.8 times and a core loans to equity ratio of 5.7 times at 31 March 2022. The Bank's leverage ratio was 9.3% ahead of the minimum 6% target level. The increase in leverage ratio was driven by the regulatory change implemented in the UK from 1 January 2022 to exclude qualifying Central Bank balances from the calculation of the leverage exposure measure.

We maintain an Investec Group target CET1 ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The Bank is on the standardised approach for capital. The CET1 ratio was 12.0% at 31 March 2022 in excess of regulatory minimums and ahead of our Investec Group target and well in excess of regulatory minimums.

In March 2021, the Bank of England (BoE) re-confirmed the preferred resolution strategy for the Bank as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has set IBP's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its total regulatory capital requirements.

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

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continued to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. A strong liquidity position continued to be maintained throughout the year primarily supported by growth in retail customer deposits. Cash and near cash balances amounted to £8.9 billion at 31 March 2022 (31 March 2021: £6.9 billion). Average cash balances remained high as we maintained a conservative position holding higher levels of cash balances due to ongoing market volatility as well as to support the ongoing digital transition.

Customer accounts (deposits) totalled £18.6 billion at 31 March 2022 (31 March 2021: £16.2 billion). The digital offerings continued to be rolled out during the year with strong uptake from retail clients, which substantially reduces the operational cost of deposit raising for these product.

Loans and advances to customers as a percentage of customer deposits remained conservative at 77.5%. The Bank comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). IBP (solo basis) reported an LCR of 476% and an NSFR of 136% at 31 March 2022.

Looking forward, the focus remains on having an optimised funding mix through the retail market, in line with the Bank's strategic objectives as well as selectively using wholesale funding to lengthen the book. We have access to the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks across our banking and Wealth & Investment businesses. The operational resilience of the Bank continued to be an area of focus particularly as the Bank prepared for the new Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulation on operational resilience.

Countering financial and cyber crime are high priorities, particularly given the heightened cyber risk at present due to the Russian invasion of Ukraine. The Bank continually aims to strengthen and test systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption.

The Bank recognises potential challenges faced in ensuring successful delivery of digitalisation strategies and embedding of change. This includes the technology investments, resourcing levels, and skills needed to operate a digital business. Concentration risk related to big tech and cloud platforms is increasing. Growing reliance on technology service providers heightens the potential impact of third party disruption, cyber threats, and data breaches. Developments in the technology landscape are closely monitored to ensure appropriate response and management of disruptive effects on the Bank. The impact of digitalisation initiatives and cloud adoption on the Bank's risk profile is continually tracked, with consideration given to key controls related to cyber risk, technology integration, data privacy, and vendor resiliency.

RISK MANAGEMENT
CONTINUED

IBP focuses on building a strong, diverse and capable workforce. The risk associated with staff recruitment and retention in an extremely competitive market, with shortage of certain skills is continuously considered and reviewed. We are constantly considering the future world of work, how we prioritise a safe working environment for employees, remain relevant and forward thinking, with a focus on adaptability and agility in response to a changing environment. We are closely monitoring the implications of flexible working arrangements on the Bank's culture and performance as well as consequential impacts on talent retention.

The Bank 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 Bank evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

The Bank’s stress testing framework is well embedded in its operations and is designed to identify and regularly test the Bank’s key vulnerabilities under stress. A fundamental part of the stress testing process is a full and comprehensive analysis of the Bank’s material business activities, incorporating views from risk, the business units and the executive – a process called the ‘bottom-up’ analysis. Resulting from the ‘bottom-up’ analysis, the IBP-specific stress scenarios are designed to specifically test the unique attributes of the Bank’s portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These IBP-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the Bank. Reverse stress tests are conducted to stress the Bank’s business plan to failure and consider a broad variety of extreme and remote events. These processes allows the Bank to proactively identify underlying risks and manage them accordingly. During the year, a number of stress scenarios were considered and incorporated into our processes including assessing the potential impact of climate change.

The Board, through its respective risk and capital committees, continued to assess the impact of its principal risks and the above mentioned stress scenarios on its business. The Board has concluded that the Bank has robust systems and processes in place to manage these risks and that, while under a severe stress scenario business activity would be very subdued, the Bank would continue to maintain adequate liquidity and capital balances to support the continued operation of the Bank.

The fundamental risk performance during the period has been strong and management is focused on maintaining the sound underlying balance sheet.

The risk outlook remains uncertain given the latest market volatility, rising inflation as well as supply chain pressures. However, subject to market conditions, we are comfortable that we are well placed for growth in the next financial year given the management actions taken to reduce risks across the Bank, supported by a strong capital base and high levels of liquidity.

SALIENT FEATURES

Salient features

A summary of the key risk indicators are provided in the table below:

	31 March 2022	31 March 2021
Net core loans (£’million)	14 423	12 311
Total assets (£’million)	27 589	24 396
Total risk-weighted assets (£’million)	16 462	15 789
Total equity (£’million)	2 547	2 365
Funds under management (£’million)	44 419	41 708
Cash and near cash (£’million)	8 871	6 857
Customer accounts (deposits) (£’million)	18 616	16 241
Loans and advances to customers as a % of customer deposits	77.5%	75.8%
Structured credit as a % of total assets	1.6%	2.4%
Banking book investment and equity risk exposures as a % of total assets	1.2%	1.6%
Traded market risk: 95% one-day value at risk (£’million)	0.4	0.5
Core loans to equity ratio	5.7x	5.2x
Total gearing ratio*	10.8x	10.3x
Return on average assets#	0.88%	0.25%
Return on average risk-weighted assets#	1.42%	0.38%
Stage 3 exposures as a % of gross core loans subject to ECL	2.1%	2.8%
of which Ongoing (excluding Legacy) Stage 3##	1.7%	1.9%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	2.0%
Credit loss ratio	0.17%	0.56%
Level 3 (fair value assets) as a % of total assets	6.5%	6.7%
Total capital ratio	18.2%	16.4%
Tier 1 ratio	13.6%	13.4%
Common Equity Tier 1 ratio	12.0%	11.8%
Leverage ratio	9.3%	8.0%
Leverage ratio (fully loaded)	9.1%	7.7%

* Total assets to total equity.
\# Average balances are calculated on a straight-line average.
\## Refer to definitions of page 292.

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

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

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

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

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

The levels of defence model is applied as follows:

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

Risk appetite

The Bank has a number of Board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite statement and framework set out the Board's mandated risk appetite. The risk appetite framework acts as a guide to determine the acceptable risk profile of the Bank while keeping in line with the Investec Group's risk appetite parameters. The risk appetite statement ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities.

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

A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the IBP Board Risk and Capital Committee (IBP BRCC) and Board as well as the DLC BRCC and DLC Board. In the section that follows, the Bank's high-level summary of overall risk tolerance and positioning has been detailed against the respective principal risks.

PRINCIPAL RISKS
CONTINUED

Credit and counterparty risk

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

Link to strategy

Further information

Read more on pages 68 to 84.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to £120 million. We also have a number of risk tolerance limits and targets for specific asset classes.

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

Positioning at 31 March 2022

We maintained this risk tolerance level throughout the year.

We currently remain within all tolerance levels given the current weakened economic environment. The credit loss ratio was calculated at 0.17% for 31 March 2022 (31 March 2021: 0.56%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.4% (excluding the Legacy portfolio). Stage 3 net of ECL as a % of CET1 is 11.3%.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Country risk

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

Link to strategy

Further information

Read more on page 69.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2022

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

ESG (including climate) risk

The risk that our lending and investment activities give rise to unintended environmental (including climate change), social and economic consequences

Link to strategy

Further information

Read more on page 69 and 88, pages 94 to 105 of the Investec Group's 2022 integrated and strategic annual report and the Investec Group's 2022 sustainability report which will be available on the Investec Group's website at the end of June 2022.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We take a cautious approach with respect to industries that are known to have negative consequences to climate change or that cause environmental damage. Financial risk from climate change is a highly important topic which helps to inform decisions. We acknowledge that our approach is still work in progress and will continue to develop this over time.

Positioning at 31 March 2022

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Investment risk

Investment risk in the banking book arises primarily from the Bank's investment (private equity) and property investment activities, where the Bank invests in largely unlisted companies and select property investments, with risk taken directly on the Bank's balance sheet

Link to strategy

Further information

Read more on page 89.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We have moderate appetite for investment risk, and set a risk tolerance of less than 27.5% of CET1 capital for our unlisted principal investment portfolio.

Positioning at 31 March 2022

Our unlisted investment portfolio amounted to £331 million, representing 16.7% of CET1.

Market risk in the trading book

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

Link to strategy

Further information

Read more on pages 91 to 94.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

Market risk arises through our trading activities which are primarily focused on supporting client activity. Appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £4 million.

Positioning at 31 March 2022

We met these internal limits; one-day 95% VaR was £0.4 million at 31 March 2022.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Liquidity risk

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

Link to strategy

Further information

Read more on pages 95 to 102.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2022

Total cash and near cash balances amounted to £8.9 billion at year end representing 47.7% of customer deposits.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Non-trading interest rate risk

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

Link to strategy

Further information

Read more on pages 99 to 105.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2022

The Bank is within these tolerance metrics. The UK regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of systems and processes concluded their ICAAP.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Capital risk

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

Link to strategy

Further information

Read more on pages 109 to 112.

Monitoring and mitigation activities

- The Bank undertakes an approach to capital management that utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements
- A detailed assessment of the regulatory and internal capital position is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is prepared at the consolidated Investec plc level and incorporates the Bank (solo-consolidation basis)*. The document is reviewed and approved by the IBP, PLC and DLC Capital Committees (and other relevant DLC committees) and in parallel by IBP BRCC, DLC BRCC and the IBP and DLC Boards
- The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group
- At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns
- Our internal capital framework is designed to manage and achieve this balance
- The framework has been approved by the Board. The IBP Capital Committee (mandated by IBP BRCC) is responsible for the oversight and management of capital and leverage.

Risk appetite and tolerance metric

We are a lowly leveraged firm and target a leverage ratio in excess of 6% tolerance.

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% on a consolidated basis and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.

Positioning at 31 March 2022

The leverage ratio is 9.3%.

The Bank met all these targets. Capital has grown over the period.

* IBP applies the provisions laid down in article 9 of the CRR (solo-consolidation waiver) and therefore includes Investec Investments (UK) Limited in the solo-consolidation basis.

Reputational and strategic risk

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

Link to strategy

Further information

Read more on page 105.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We have a number of policies and practices in place to mitigate and/or manage reputational risks.

Positioning at 31 March 2022

We have continued to mitigate and/or manage these risks where possible throughout the year.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Business risk

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

Link to strategy

Further information

Read more on pages 4 to 19 and pages 30 to 45.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

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

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

Positioning at 31 March 2022

Capital light activities contributed 47.1% to total operating income and balance sheet driven activities contributed 52.9%.

Annuity income amounted to 75.9% of total operating income.

The cost to income ratio for IBP amounted to 70.8%.

Legal risks

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

Link strategy

More information

Read more on page 105.

Monitoring and mitigation activities

- A Legal Risk Forum ensures we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice
- There is a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate
- The Bank maintains adequate insurance to cover key insurable risks
- This is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary
- The Board may, at their discretion, constitute dedicated committees to deal with specific legal matters.

Risk appetite and tolerance metric

The key principles of the legal risk policy describe the overall responsibility of the legal risk function, outline how legal risks are to be assessed and how material legal risks should be reported and escalated where necessary.

Positioning as of 31 March 2022

Legal matters were appropriately escalated, dealt with and accounted for in the annual financial statements where necessary.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2022

We maintained operational risk losses within risk tolerance levels throughout the year.

Operational risk – Business disruption and operational resilience risk

Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

- IBP maintains continuity through appropriate resilience strategies that cater for disruptions, irrespective of the cause
- These strategies include, but are not limited to, relocating the impacted business to alternate processing sites, enabling staff to work from home, the application of high availability technology solutions and ensuring readiness of physical solutions for critical infrastructure components
- Resilience testing is conducted on a periodic basis to validate continuity strategies and ensure they remain effective and appropriate. This includes annual recovery testing for all key systems that support critical business processes.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk – Conduct risk

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

Link to strategy

Further information

Read more on page 103, 104 and 106.

Monitoring and mitigation activities

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

Operational risk – Data management risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk – Financial crime risk

Financial crime involves handling the proceeds of crime, financing of terrorism, proliferation financing, sanctions breaches and bribery or corruption, as well as any related regulatory breaches. Examples include bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting and identity theft

Link to strategy

Further information

Read more on pages 103, 104 and 106.

Monitoring and mitigation activities

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

Operational risk – Fraud risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

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PRINCIPAL RISKS
CONTINUED

Operational risk – Information security and cyber risk

The risk associated with unauthorised access, use, disclosure, modification or destruction of data, impacting confidentiality, integrity or availability. These can result in data compromise, financial loss, interruption to client services and reputational harm

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

- In light of the broad range of risks to which information resources are exposed, this risk is managed by addressing both internal and external threat exposures
- Internal threats relate to data theft, improper access or confidentiality breaches by staff
  - These are mitigated by implementing risk-appropriate data protection controls to safeguard information assets in line with data sensitivity and business criticality
  - Role-based access to systems and data is closely controlled and privileged IT access is restricted and actively monitored
- External threats relate to cyberattacks such as ransomware, denial of service and cyber fraud
  - This is mitigated by an adaptive cyber strategy that integrates prediction, prevention, detection, and response capabilities
  - A robust security architecture leverages defence-in-depth and advanced technologies to protect against evolving, sophisticated attacks
  - Threats are monitored 24/7 by a global cyber team and the security incident response plan is continuously improved
  - Cyber controls are stress-tested through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent specialists
  - Regular security training to all staff ensures high levels of awareness and vigilance.

Operational risk – Model risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk – People risk

The risk that we may be unable to recruit, retain and engage diverse talent across the organisation

Link to strategy

Further information

Read more on pages 96 and 97 of the Investec Group's 2022 integrated and strategic annual report and the Investec Group's 2022 sustainability report which will be available on our website at the end of June 2022.

Monitoring and mitigation activities

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

Operational risk – Processing and execution risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Monitoring and mitigation activities

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk – Regulatory compliance risk

The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the Bank's operations, business prospects, costs, liquidity and capital requirements

Link to strategy

Further information

Read more on pages 103 to 105.

Monitoring and mitigation activities

- The Bank remains focused on achieving the highest levels of compliance with professional standards and integrity in each of our jurisdictions
- Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our stakeholders remain at the forefront of everything we do
- There are independent compliance, legal and risk management functions in each of our core operating jurisdictions, which ensure that the Bank implements the required processes, practices and policies to adhere to applicable regulations and legislation.

Operational risk – Tax risk

The risk associated with inadequate tax planning, transaction execution, tax compliance and reporting failures, resulting in financial loss and reputational damage

Link to strategy

Further information

Read more on pages 103,104 and 106.

Monitoring and mitigation activities

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

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

PRINCIPAL RISKS
CONTINUED

Operational risk – Technology risk

The risk associated with disruption to critical applications or infrastructure and IT system malfunction that negatively impact key business processes or client services

Link to strategy

Further information

Read more on pages 103 and 104.

Risk management and key mitigating actions

- The technology environment is proactively monitored for continuous visibility of operational performance and availability
- Mature incident management processes and continuity plans are in place to support a resilient IT environment that is able to withstand failure and minimise service disruption
- Strategic roadmaps are in place that leverage new technologies to enhance capacity, scalability and continuity, and reduce reliance on legacy IT systems
- IT systems are aligned to approved architectures and standards across the Bank to reduce technical complexity, considering concentration risk, and to leverage common functions and services
- The risk of errors in production systems is reduced through design reviews, secure development practices and robust code review, testing and deployment processes
- Processes and controls are automated where possible, and augmented with monitoring and exception alerting where necessary to reduce human error and enhance efficiency.

Operational risk – Third party risk

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

Link to strategy

Further information

Read more on pages 103 and 104.

Risk management and key mitigating actions

- Third party policies and practices govern the assessment, selection, approval and oversight of third party services
- Robust due diligence processes are in place to evaluate third party suitability and controls with the appropriate level of rigour based on the scale, complexity and risks a particular supply poses
- Service disruption or security risks that third parties may introduce are identified and managed
- Ongoing monitoring ensures that contractual obligations are met and required service levels are maintained
- Consideration is given to concentration risk both within the business and across the financial sector systemically
- Appropriate supplier business contingency plans, including exit strategies for key/critical vendors, are established and managed to minimise customer impact following any disruption in service.

Growth initiatives | Cost management | Capital discipline | Digitalisation | Connectivity

Emerging and other risks

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

These emerging risks are briefly highlighted on page 22 of the Investec Group's 2022 risk and governance report and should be read in the context of our approach to risk management and our overall Group risk appetite framework

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations. Emerging and other risks as factored into the Board's viability assessment. Read more on page 144

RISK MANAGEMENT APPROACH AND FRAMEWORK

Philosophy and approach to risk management

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

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

The IBP BRCC (comprising both executive and non-executive directors) is the Board mandated committee to monitor and oversee risk. IBP BRCC meets at least six times per annum and recommends the overall risk appetite to the Board for approval.

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

Risk management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the Bank. There are specialist divisions in the UK and smaller risk divisions in other regions tasked with promoting sound risk management practices.

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

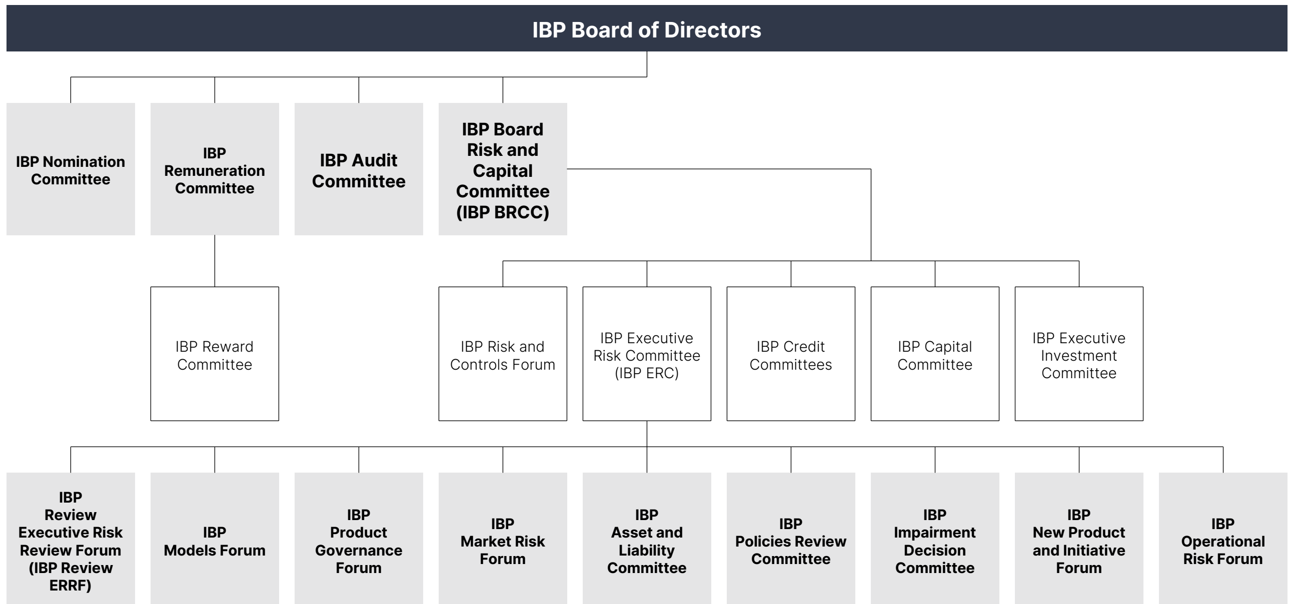
We believe that the risk management systems and processes we have in place are adequate to support the Bank's strategy and allow the Bank to operate within its risk appetite tolerance.

Risk management objectives are to:

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

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at a Bank level, as shown in the diagram below. These committees and forums operate together with risk management and are mandated by the IBP Board. Investec Wealth & Investment Limited, a Financial Conduct Authority (FCA) regulated subsidiary of the Bank, maintains an independent governance structure, comprising an independent Board, Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee. The membership of the Investec Wealth & Investment Board includes both executive and non-executive directors. The Investec Wealth & Investment Board and the Investec Wealth & Investment Board committees report to the DLC Board and the DLC Board committees. Any matters relevant to IBP are communicated to the Bank, in part, through having one or more directors of Investec Group as members of the Board committees of the Bank.



CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk management

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, through loans and advances to clients and counterparties, creating the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Financial instrument transactions, producing issuer risk where payments due from the issuer of a financial instrument may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party making required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction decreases as the probability of default of the borrower or counterparty increases. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the risk management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in the UK. These committees also have oversight of regions where we assume credit risk and operate under Board-approved delegated limits, policies and procedures. There is a high level of executive involvement and oversight in the credit decision-making forums depending on the size and complexity of the deal. It is our policy that all credit committees include voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential adverse trends are dealt with in a timely manner
- Watchlist Forums review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision. These committees review ECL impairments and staging at an asset level as well as potential fair value adjustments to loans and advances to customers. They provide recommendations for the appropriate staging and level of ECL impairment where required
- The Forbearance Forum reviews and monitors counterparties who have been granted forbearance measures
- The Impairment Decision Committee reviews recommendations from underlying Watchlist Forums and ADR Forums respectively and consider and approve the appropriate level of ECL impairments and staging
- The Models Forum provides an internal screening and validation process for credit models. We have established independent model validation teams who review the models and provide feedback on the accuracy and operation of the models and note items for further development through the forum.

Credit committees and the processes above have incorporated considerations and decisions with respect to the COVID-19 pandemic and resulting relief measures, staging and ECL in line with the Bank's existing governance.

Credit and counterparty risk appetite
The IBP Board has set risk appetite limit frameworks which regulate the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. These limit frameworks, approved at least annually, are monitored on an ongoing basis by, IBP BRCC and the IBP Board. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, with remedial actions agreed.

Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

Target clients include high net worth individuals, active wealth creators, high-income professionals, self-employed entrepreneurs, owner managers in small to mid-cap corporates, sophisticated investors, established corporates, small and medium-sized enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able Board members, strong earnings and cash flow.

We are client-centric in our approach and originate loans mainly with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship.

Interbank lending is largely reserved for those banks and institutions in the Bank's core geographies of activity, which are systemic and highly rated.

Concentration risk
Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk. In order to manage concentration, we will consider a sell-down of exposures to market participants.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Country risk
Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the Bank's main operating geography. The bank will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

The Bank's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is little specific appetite for exposures outside of the Bank's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and where necessary, Group ERC will consider, analyse and assess the appropriate foreign jurisdiction limits.

In the UK, following the official exit from the European Union, it remains necessary to avoid exposures to certain European countries due to the resulting legal implications. This relates specifically to countries in which borrowers are legally incorporated and any deal will be thoroughly assessed on a case by case basis to ensure compliance with current regulations.

ESG (including climate) risk
We integrate ESG considerations into our day-to-day operations and credit decision-making. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG.

We support the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant. We report on these in our sustainability report on our website. We have a number of Group policies that also guide credit decision-making from an ESG perspective. ESG (including climate) risk matters are considered by the credit committee or investment committee when making lending or investment decisions. Higher risk transactions are escalated for assessment by the Bank's ESG team.

In particular, the following ESG (including climate) risk matters are taken into account when assessing high-risk transactions:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations (including human rights)
- Macro-economic considerations (including poverty, growth and unemployment).

Refer to page 88 for further detail

Stress testing and portfolio management
The Bank's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the Bank's material business activities, incorporating views from risk management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macro-economic and political risk backdrop.

These IBP-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the Bank. This process allows the Bank to identify underlying risks and manage them accordingly.

The Bank also performs ad hoc stress tests and reverse stress testing. Ad hoc stress tests are conducted in response to any type of material and/or emerging risks, with reviews undertaken of impacted portfolios to assess any migration in quality and highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations such as a reduction in risk appetite limits. Reverse stress tests are conducted to stress the Bank's business plan to failure and consider a broad variety of extreme and remote events.

Reviews are also undertaken of all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk include:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions being made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight
- Portfolio reviews and stress testing.

Within the credit approval process, internal and external ratings are included in the assessment of client quality.

A large proportion of the Bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers and use ratings prepared externally where available to support our decision-making process.

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives, IBP BRCC and DLC BRCC. The IBP Board reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

Portfolio reviews and stress testing are undertaken on all material businesses, where the exposures are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients as well as other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 72 to 78
- **Treasury function:** there are also certain exposures, outside of core loans and advances, where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the Bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America and Australia.

In addition, credit and counterparty risk arises through the following exposures:

- **Customer trading activities to facilitate hedging of client risk positions:** our customer trading portfolios consist of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK residential mortgages or European or US corporate leverage loans. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt securities:** from time to time we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise on the back of client relationships or knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken on recognised exchanges, with large institutional clients, monitored daily, with trades usually settled within two to three days.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the Bank seeks to decrease the credit risk associated with an exposure. The Bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the Bank has a charge over assets, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As the Bank has limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and assists the Bank to recover outstanding exposures.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

For property-backed lending we also consider the client's overall balance sheet. The following characteristics of the property are also considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreement, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value (LTV) ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. Primarily, the market standard legal documents that govern this include the International Swaps and Derivatives Association (ISDA) Master Agreements, Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, the credit committee may require a Credit Support Annex (CSA) to ensure that mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by an external legal opinion within the legal jurisdiction of the agreement.

Set-off is applied between assets, subject to credit risk and related liabilities in the annual financial statements, where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

The Bank places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the Bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the Bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the Bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2022 amounts to £0.5 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£0.03 million and total protection sold amounts to £0.53 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 244

The Bank endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the Bank operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

The tables that follow provide information with respect to the asset quality of our gross core loans on a statutory basis.

The overall asset quality improved as Stage 3 gross core loan exposure decreased from £332 million at 31 March 2021 to £291 million or 2.1% of gross core loans subject to ECL at 31 March 2022.

Notwithstanding the partial release in management ECL overlay during the second half of the year, the overall coverage for Stage 1 and Stage 2 remains elevated at 31 March 2022 compared to pre-COVID levels, reflecting the ongoing uncertainty and deterioration of forward-looking macro-economic scenarios, particularly with respect to inflation.

Stage 2 exposures decreased to 7.1% of gross core loans subject to ECL at 31 March 2022 from 10.3% at 31 March 2021. The Stage 2 ratio remains above pre COVID-19 levels (5.8% at 31 March 2019) reflecting the ongoing uncertainty in the macro-economic environment.

£'million	31 March 2022	31 March 2021
Gross core loans	**14 557**	**12 480**
Gross core loans at FVPL	609	512
Gross core loans subject to ECL*	**13 948**	**11 968**
Stage 1	12 665	10 398
Stage 2	992	1 238
of which past due greater than 30 days	28	90
Stage 3	291	332
of which Ongoing (excluding Legacy) Stage 3*	240	231
ECL	**(134)**	**(169)**
Stage 1	(32)	(27)
Stage 2	(35)	(41)
Stage 3	(67)	(101)
of which Ongoing (excluding Legacy) Stage 3*	(40)	(62)
Coverage ratio		
Stage 1	0.25%	0.26%
Stage 2	3.5%	3.3%
Stage 3	23.0%	30.4%
of which Ongoing (excluding Legacy) Stage 3*	16.7%	26.8%
Credit loss ratio	**0.17%**	**0.56%**
ECL impairment charges on core loans	(22)	(65)
Average gross core loans subject to ECL	12 958	11 662
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	224	231
of which Ongoing (excluding Legacy) Stage 3*	200	169
Aggregate collateral and other credit enhancements on Stage 3	230	235
Stage 3 as a % of gross core loans subject to ECL	2.1%	2.8%
of which Ongoing (excluding Legacy) Stage 3*	1.7%	1.9%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	2.0%
of which Ongoing (excluding Legacy) Stage 3*	1.4%	1.4%

* Refer to definitions on page 292. Our exposure (net of ECL) to the UK Legacy portfolio has reduced from £84 million at 31 March 2021 to £43 million at 31 March 2022. These assets are predominately reported in Stage 3 and make up 17.5% of Stage 3 gross core loans. These assets have been significantly provided for and coverage remains high at 52.9%.

ASSET QUALITY CONTINUED

An analysis of staging and ECL movements for core loans subject to ECL

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2021 to 31 March 2022. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The transfers into Stage 1 were almost all driven by the weighted economic outlook and underlying macro-economic factors. There was a normalisation of transfers into Stage 3 as a proportion of the opening book, following very limited defaults during the period to 31 March 2021, supported in part by the UK Government measures in place.

The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold.

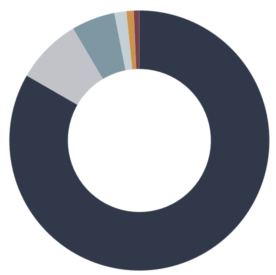
The ECL impact of changes to risk parameters and models during the year largely relates to the changes in the macro-economic scenarios. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since 31 March 2021.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2020	**10 399**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 354**	**(175)**
Transfer from Stage 1	(1 017)	4	989	(4)	28	—	—	—
Transfer from Stage 2	120	(2)	(220)	6	100	(4)	—	—
Transfer from Stage 3	—	—	8	—	(8)	—	—	—
ECL remeasurement arising from transfer of stage	—	2	—	(10)	—	(18)	—	(26)
New lending net of repayments (includes assets written off)	962	(9)	(89)	4	(162)	26	711	21
Changes to risk parameters and models	—	15	—	(6)	—	—	—	9
Foreign exchange and other	(66)	—	(26)	—	(5)	2	(97)	2
At 31 March 2021	**10 398**	**(27)**	**1 238**	**(41)**	**332**	**(101)**	**11 968**	**(169)**
Transfer from Stage 1	(433)	1	379	(1)	54	—	—	—
Transfer from Stage 2	397	(6)	(473)	8	76	(2)	—	—
Transfer from Stage 3	1	—	3	—	(4)	—	—	—
ECL remeasurement arising from transfer of stage	—	3	—	(3)	—	(9)	—	(9)
New lending net of repayments (includes assets written off)	2 270	(3)	(159)	4	(167)	45	1 944	46
Changes to risk parameters and models	—	—	—	(2)	—	—	—	(2)
Foreign exchange and other	32	—	4	—	—	—	36	—
At 31 March 2022	**12 665**	**(32)**	**992**	**(35)**	**291**	**(67)**	**13 948**	**(134)**

An analysis of gross core loans by country of exposure

31 March 2022

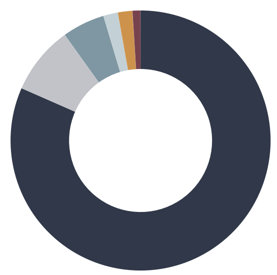
£14 557 million



United Kingdom	83.3%
Europe (excluding UK)	8.2%
North America	5.4%
Asia	1.5%
Australia	0.9%
Other	0.7%

31 March 2021

£12 480 million



United Kingdom	81.6%
Europe (excluding UK)	8.5%
North America	5.3%
Asia	1.8%
Australia	1.8%
Other	1.0%

ASSET QUALITY
CONTINUED

An analysis of credit quality by internal rating grade

The Bank uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the Bank to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales.

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% - 6.089%	IB13 – IB19	BB+ to B-
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2022 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2022 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**7 925**	**5 542**	**190**	**291**	**13 948**
Stage 1	7 643	4 934	88	—	12 665
Stage 2	282	608	102	—	992
Stage 3	—	—	—	291	291
ECL	**(9)**	**(46)**	**(12)**	**(67)**	**(134)**
Stage 1	(6)	(25)	(1)	—	(32)
Stage 2	(3)	(21)	(11)	—	(35)
Stage 3	—	—	—	(67)	(67)
Coverage ratio	**0.1%**	**0.8%**	**6.3%**	**23.0%**	**1.0%**

At 31 March 2021 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**6 603**	**4 854**	**179**	**332**	**11 968**
Stage 1	6 443	3 894	61	—	10 398
Stage 2	160	960	118	—	1 238
Stage 3	—	—	—	332	332
ECL	**(4)**	**(52)**	**(12)**	**(101)**	**(169)**
Stage 1	(3)	(23)	(1)	—	(27)
Stage 2	(1)	(29)	(11)	—	(41)
Stage 3	—	—	—	(101)	(101)
Coverage ratio	**0.1%**	**1.1%**	**6.7%**	**30.4%**	**1.4%**

ASSET QUALITY
CONTINUED

An analysis of core loans by risk category – Lending collateralised by property

Client quality and expertise are at the core of our credit philosophy. We provide senior debt and other funding for property transactions, with a preference for income-producing assets, supported by an experienced sponsor providing a material level of cash equity investment into the asset. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on property fundamentals, tenant quality and income diversity for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan-to-security value ratios.

Year in review

Lending collateralised by property totalled £2.3 billion or 16.2% of net core loans at 31 March 2022, which remains in line with the Bank's risk appetite to maintain a reduced proportion of net core loan exposures in property-related lending. New lending is largely against income-producing commercial properties at conservative LTVs. The bulk of property collateralised assets are located in the UK.

The portfolio has diverse underlying assets, experienced sponsors behind the exposures and limited direct exposure to sectors more vulnerable to cyclicality. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2022										
Commercial real estate	**1 334**	**(3)**	**152**	**(6)**	**105**	**(21)**	**1 591**	**(30)**	**46**	**1 637**
Commercial real estate – investment	1 104	(2)	108	(4)	99	(18)	1 311	(24)	42	1 353
Commercial real estate – development	222	(1)	38	(1)	—	—	260	(2)	4	264
Commercial vacant land and planning	8	—	6	(1)	6	(3)	20	(4)	—	20
Residential real estate	**676**	**(2)**	**3**	**—**	**34**	**(16)**	**713**	**(18)**	**29**	**742**
Residential real estate – investment	394	(1)	3	—	4	(1)	401	(2)	27	428
Residential real estate – development	276	(1)	—	—	6	(3)	282	(4)	—	282
Residential vacant land and planning	6	—	—	—	24	(12)	30	(12)	2	32
Total lending collateralised by property	**2 010**	**(5)**	**155**	**(6)**	**139**	**(37)**	**2 304**	**(48)**	**75**	**2 379**
Coverage ratio		**0.25%**		**3.9%**		**26.6%**		**2.1%**		
At 31 March 2021										
Commercial real estate	**1 126**	**—**	**134**	**(4)**	**137**	**(25)**	**1 397**	**(29)**	**19**	**1 416**
Commercial real estate – investment	910	—	118	(3)	130	(21)	1 158	(24)	15	1 173
Commercial real estate – development	211	—	10	—	1	(1)	222	(1)	4	226
Commercial vacant land and planning	5	—	6	(1)	6	(3)	17	(4)	—	17
Residential real estate	**614**	**—**	**12**	**—**	**73**	**(29)**	**699**	**(29)**	**11**	**710**
Residential real estate – investment	315	—	3	—	19	(6)	337	(6)	9	346
Residential real estate – development	287	—	9	—	23	(5)	319	(5)	—	319
Residential vacant land and planning	12	—	—	—	31	(18)	43	(18)	2	45
Total lending collateralised by property	**1 740**	**—**	**146**	**(4)**	**210**	**(54)**	**2 096**	**(58)**	**30**	**2 126**
Coverage ratio		**0.00%**		**2.7%**		**25.7%**		**2.8%**		

ASSET QUALITY
CONTINUED

An analysis of core loans by risk category – High net worth and other private client lending

Our Private Banking activities target high net worth individuals, active wealth creators, high-income professionals, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients and deliver solutions to enable target clients to create and manage their wealth. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, should reduce income volatility) and individuals in defined professions which have historically supported a sustainable income base, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- Mortgages: provides residential mortgage loan facilities to target market clients
- High net worth and specialised lending: provides credit facilities to high net worth individuals and their controlled entities as well as portfolio loans to high net worth clients against their investment portfolios typically managed by Investec Wealth & Investment.

Year in review

High net worth and other private client lending totalled £5.1 billion and increased by 26.7% year-on-year, driven by strong targeted growth in mortgages for the Bank's high net worth target market clients as we further leverage our Private Banking platform and franchise.

Growth in this area has been achieved with strong adherence to our lending criteria. Weighted average LTVs on mortgages remain conservative at 68%.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
Mortgages	3 995	(1)	86	—	57	(4)	4 138	(5)	25	4 163
High net worth and specialised lending	938	(2)	42	(1)	6	(2)	986	(5)	3	989
Total high net worth and other private client lending	**4 933**	**(3)**	**128**	**(1)**	**63**	**(6)**	**5 124**	**(10)**	**28**	**5 152**
Coverage ratio		**0.06%**		**0.8%**		**9.5%**		**0.2%**		
At 31 March 2021										
Mortgages	3 103	(1)	74	—	16	(2)	3 193	(3)	—	3 193
High net worth and specialised lending	832	(1)	31	(1)	2	(1)	865	(3)	7	872
Total high net worth and other private client lending	**3 935**	**(2)**	**105**	**(1)**	**18**	**(3)**	**4 058**	**(6)**	**7**	**4 065**
Coverage ratio		**0.05%**		**1.0%**		**16.7%**		**0.1%**		

ASSET QUALITY
CONTINUED

An analysis of core loans by risk category – Corporate and other lending

We focus on traditional client-driven corporate lending activities. The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where deemed appropriate.

The Bank has limited appetite for unsecured credit risk and facilities are typically secured by the assets of the underlying borrower as well as shares in the borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas in our corporate lending business is provided below:

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap, as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as a transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is the UK, Western Europe and North America where the Bank can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to fund vehicles which are secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with regard to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Motor finance:** provides specialised motor vehicle financing originated through Mann Island Finance Limited (MIVF). The portfolio is composed predominantly of private motor vehicles to individuals attributing to a granular book with low concentration risk
- **Aviation finance**: structures, arranges and provides financing for airlines, leasing companies, operators and corporates secured by aircraft at conservative LTVs. Counterparties include flag and commercial airline carriers, leading aircraft lessors and corporates/operators with strong contracted cash flows.
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor.

Year in review

Corporate and other lending increased by 12.4% from £6.2 billion at 31 March 2021 to £7.0 billion at 31 March 2022. Activity increased across nearly all asset classes and industries including motor finance, corporate and acquisition finance, asset-based lending as well as fund finance and power and infrastructure finance. In certain areas, new lending has been offset by redemptions as well as strong distribution of exposures. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets.

As at 31 March 2022 we have exposure to loans totalling £215 million (31 March 2021: £127 million) under the various support schemes introduced by the UK Government, predominantly reported under Corporate and other lending.

Gross Stage 3 exposures total 1.3% of total corporate and other lending, reduced from 1.7% in the prior year reflecting the solid asset quality of the portfolio to date. Stage 2 exposures have also reduced predominantly due to the transfer of loans back to Stage 1 resulting from the updated forward-looking macro-economic scenarios in the first half of the year. In certain asset classes, such as small ticket asset finance, Stage 2 exposures remain elevated due to the forward-looking view on their credit performance under current macro-economic scenarios, particularly with respect to inflation, rather than specific credit concerns.

ASSET QUALITY
CONTINUED

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Other large ticket asset finance	—	—	—	—	—	—	—	—	—	—
Aviation finance	96	(1)	10	(1)	—	—	106	(2)	244	350
Power and infrastructure finance	362	(2)	47	(2)	41	(2)	450	(6)	70	520
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**5 722**	**(24)**	**709**	**(28)**	**89**	**(24)**	**6 520**	**(76)**	**506**	**7 026**
Coverage ratio		**0.42%**		**3.9%**		**27.0%**		**1.2%**		
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	189	(2)	115	(2)	—	—	304	(4)	14	318
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	422	(2)	18	—	3	(1)	443	(3)	17	460
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Other large ticket asset finance	—	—	—	—	23	(18)	23	(18)	—	23
Aviation finance	30	—	95	(2)	6	(2)	131	(4)	262	393
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	**4 723**	**(25)**	**987**	**(36)**	**104**	**(44)**	**5 814**	**(105)**	**475**	**6 289**
Coverage ratio		**0.53%**		**3.6%**		**42.3%**		**1.8%**		

CREDIT AND COUNTERPARTY RISK

The tables that follow provide further analysis of the Bank's gross credit and counterparty exposures.

An analysis of gross credit and counterparty exposures
Gross credit and counterparty exposure totalled £27.8 billion at 31 March 2022. Cash and near cash balances amounted to £8.9 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 95% of overall ECLs.

A An analysis of gross credit and counterparty exposures

£'million	31 March 2022	31 March 2021
Cash and balances at central banks	5 380	3 043
Loans and advances to banks	1 467	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	2 065
Sovereign debt securities	1 166	1 108
Bank debt securities	62	48
Other debt securities	443	682
Derivative financial instruments	669	730
Securities arising from trading activities	26	28
Loans and advances to customers	14 557	12 480
Other loans and advances	147	131
Other securitised assets	6	6
Other assets	116	451
Total on-balance sheet exposures	**25 486**	**22 156**
Guarantees	41	46
Committed facilities related to loans and advances to customers	1 957	1 805
Contingent liabilities, letters of credit and other	326	252
Total off-balance sheet exposures	**2 324**	**2 103**
Total gross credit and counterparty exposures	**27 810**	**24 259**

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 31 March 2022 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	5 380	—	5 380	—	—	5 380
Loans and advances to banks	1 467	—	1 467	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	669	778	—	—	1 447
Sovereign debt securities	1 166	34	1 132	—	—	1 166
Bank debt securities	62	—	62	—	—	62
Other debt securities	443	144	299	(5)	—	438
Derivative financial instruments	669	669	—	—	48	717
Securities arising from trading activities	26	26	—	—	137	163
Investment portfolio	—	—	—	—	333*	333
Loans and advances to customers	14 557	609	13 948	(134)	—	14 423
Other loans and advances	147	—	147	—	—	147
Other securitised assets	6	6	—	—	87^	93
Interest in associated undertakings and joint venture holdings	—	—	—	—	11	11
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	16	16
Other assets	116	—	116	—	1 046**	1 162
Property and equipment	—	—	—	—	155	155
Goodwill	—	—	—	—	244	244
Software	—	—	—	—	7	7
Other acquired intangible assets	—	—	—	—	44	44
Total on-balance sheet exposures	**25 486**	**2 157**	**23 329**	**(139)**	**2 238**	**27 585**
Guarantees	41	—	41	—	—	41
Committed facilities related to loans and advances to customers	1 957	53	1 904	(7)	—	1 950
Contingent liabilities, letters of credit and other	326	—	326	(1)	181	506
Total off-balance sheet exposures	**2 324**	**53**	**2 271**	**(8)**	**181**	**2 497**
Total exposures	**27 810**	**2 210**	**25 600**	**(147)**	**2 419**	**30 082**

ECLs include £3.3 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.
* Relates to exposures that are classified as investment risk in the banking book.
^ While the Bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the Bank. The net credit exposure that the Bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.
** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures (continued)

At 31 March 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	3 043	—	3 043	—	—	3 043
Loans and advances to banks	1 384	—	1 384	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	675	1 390	—	—	2 065
Sovereign debt securities	1 108	37	1 071	—	—	1 108
Bank debt securities	48	—	48	—	—	48
Other debt securities	682	206	476	(1)	28	709
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	351*	351
Loans and advances to customers	12 480	512	11 968	(169)	—	12 311
Other loans and advances	131	—	131	—	31	162
Other securitised assets	6	6	—	—	101^	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	4	4
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	43	43
Other assets	451	—	451	—	945**	1 396
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	244	244
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	57	57
Total on-balance sheet exposures	**22 156**	**2 194**	**19 962**	**(170)**	**2 405**	**24 391**
Guarantees	46	—	46	—	—	46
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	252	—	252	—	213	465
Total off-balance sheet exposures	**2 103**	**83**	**2 020**	**(9)**	**213**	**2 307**
Total exposures	**24 259**	**2 277**	**21 982**	**(179)**	**2 618**	**26 698**

ECLs include £5.2 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.
* Relates to exposures that are classified as investment risk in the banking book.
^ While the Bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the Bank. The net credit exposure that the Bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.
** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 31 March 2022							
Cash and balances at central banks	—	—	—	—	5 380	—	—
Loans and advances to banks	—	—	—	—	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	—	962
Sovereign debt securities	—	—	—	—	1 166	—	—
Bank debt securities	—	—	—	—	—	—	62
Other debt securities	—	—	—	9	10	13	249
Derivative financial instruments	—	—	—	32	—	2	493
Securities arising from trading activities	—	—	—	—	3	2	16
Loans and advances to customers	5 152	2 379	14	619	233	1 333	1 661
Other loans and advances	—	—	—	—	—	—	136
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	39
Total on-balance sheet exposures	**5 152**	**2 379**	**14**	**660**	**7 277**	**1 350**	**5 085**
Guarantees	7	—	—	11	—	—	—
Committed facilities related to loans and advances to customers	131	436	—	262	66	205	596
Contingent liabilities, letters of credit and other	18	—	—	191	—	8	104
Total off-balance sheet exposures	**156**	**436**	**—**	**464**	**66**	**213**	**700**
Total gross credit and counterparty exposures	**5 308**	**2 815**	**14**	**1 124**	**7 343**	**1 563**	**5 785**
At 31 March 2021							
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	634	—	1 431
Sovereign debt securities	—	—	—	—	1 062	—	46
Bank debt securities	—	—	—	—	—	—	48
Other debt securities	—	—	—	22	6	17	322
Derivative financial instruments	—	5	2	88	6	22	458
Securities arising from trading activities	—	—	—	—	15	2	9
Loans and advances to customers	4 065	2 126	14	648	272	1 048	1 306
Other loans and advances	—	—	—	—	—	—	113
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	**4 065**	**2 131**	**16**	**767**	**5 038**	**1 089**	**5 558**
Guarantees	8	—	—	10	—	—	19
Committed facilities related to loans and advances to customers	147	351	—	290	37	160	474
Contingent liabilities, letters of credit and other	18	—	—	124	—	—	103
Total off-balance sheet exposures	**173**	**351**	**—**	**424**	**37**	**160**	**596**
Total gross credit and counterparty exposures	**4 238**	**2 482**	**16**	**1 191**	**5 075**	**1 249**	**6 154**

CREDIT AND COUNTERPARTY RISK
CONTINUED

£'million	Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	Total
At 31 March 2022											
Cash and balances at central banks	—	—	—	—	—	—	—	—	—	—	5 380
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	—	—	—	—	—	1 447
Sovereign debt securities	—	—	—	—	—	—	—	—	—	—	1 166
Bank debt securities	—	—	—	—	—	—	—	—	—	—	62
Other debt securities	—	—	—	99	—	—	—	55	—	8	443
Derivative financial instruments	6	11	—	—	—	111	1	13	—	—	669
Securities arising from trading activities	—	—	—	5	—	—	—	—	—	—	26
Loans and advances to customers	285	797	110	—	123	96	85	656	755	259	14 557
Other loans and advances	—	—	—	11	—	—	—	—	—	—	147
Other securitised assets	—	—	—	6	—	—	—	—	—	—	6
Other assets	20	1	—	—	—	—	—	53	—	3	116
Total on-balance sheet exposures	**311**	**809**	**110**	**121**	**123**	**207**	**86**	**777**	**755**	**270**	**25 486**
Guarantees	2	—	—	—	3	—	—	18	—	—	41
Committed facilities related to loans and advances to customers	7	104	7	—	40	32	2	9	—	60	1 957
Contingent liabilities, letters of credit and other	—	—	—	—	—	4	—	1	—	—	326
Total off-balance sheet exposures	**9**	**104**	**7**	**—**	**43**	**36**	**2**	**28**	**—**	**60**	**2 324**
Total gross credit and counterparty exposures	**320**	**913**	**117**	**121**	**166**	**243**	**88**	**805**	**755**	**330**	**27 810**
At 31 March 2021											
Cash and balances at central banks	—	—	—	—	—	—	—	—	—	—	3 043
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	—	—	—	—	—	2 065
Sovereign debt securities	—	—	—	—	—	—	—	—	—	—	1 108
Bank debt securities	—	—	—	—	—	—	—	—	—	—	48
Other debt securities	—	—	—	238	—	—	—	69	—	8	682
Derivative financial instruments	34	26	2	—	6	23	—	56	—	2	730
Securities arising from trading activities	—	—	—	2	—	—	—	—	—	—	28
Loans and advances to customers	220	761	94	—	95	156	98	754	555	268	12 480
Other loans and advances	—	—	—	18	—	—	—	—	—	—	131
Other securitised assets	—	—	—	6	—	—	—	—	—	—	6
Other assets	—	1	—	—	—	—	—	—	—	—	451
Total on-balance sheet exposures	**254**	**788**	**96**	**264**	**101**	**179**	**98**	**879**	**555**	**278**	**22 156**
Guarantees	2	—	—	—	1	—	—	6	—	—	46
Committed facilities related to loans and advances to customers	14	114	—	—	4	75	—	21	—	118	1 805
Contingent liabilities, letters of credit and other	—	1	—	—	—	6	—	—	—	—	252
Total off-balance sheet exposures	**16**	**115**	**—**	**—**	**5**	**81**	**—**	**27**	**—**	**118**	**2 103**
Total gross credit and counterparty exposures	**270**	**903**	**96**	**264**	**106**	**260**	**98**	**906**	**555**	**396**	**24 259**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2022 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	5 380	—	—	—	—	—	5 380
Loans and advances to banks	1 461	—	—	6	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	674	41	18	113	31	570	1 447
Sovereign debt securities	528	162	172	226	47	31	1 166
Bank debt securities	—	—	11	38	13	—	62
Other debt securities	2	—	9	59	180	193	443
Derivative financial instruments	121	108	216	188	26	10	669
Securities arising from trading activities	—	2	1	4	11	8	26
Loans and advances to customers	1 289	1 093	1 445	7 548	1 803	1 379	14 557
Other loans and advances	9	—	—	50	53	35	147
Other securitised assets	—	—	—	—	—	6	6
Other assets	116	—	—	—	—	—	116
Total on-balance sheet exposures	**9 580**	**1 406**	**1 872**	**8 232**	**2 164**	**2 232**	**25 486**
Guarantees	2	—	17	22	—	—	41
Committed facilities related to loans and advances to customers	130	106	201	1 152	310	58	1 957
Contingent liabilities, letters of credit and other	62	1	60	168	35	—	326
Total off-balance sheet exposures	**194**	**107**	**278**	**1 342**	**345**	**58**	**2 324**
Total gross credit and counterparty exposures	**9 774**	**1 513**	**2 150**	**9 574**	**2 509**	**2 290**	**27 810**

ADDITIONAL POLICY INFORMATION

Additional credit and counterparty risk information

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our Bank credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures.

For further detail on our credit risk classification and provision policy please refer to pages 192 and 193

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for key differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

Further information on internal credit ratings is provided on page 74

Key judgements
The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:

- The assessment of a significant increase in credit risk
- A range of forward-looking probability weighted macro-economic scenarios
- Estimations of probabilities of default, loss given default and exposures at default using models.

For further detail on our process for determining ECL please refer to page 193

Key judgements at 31 March 2022

At 31 March 2022, the revised macro-economic scenarios result in an increase of ECL on the performing book as a result of increased weightings to worsened downside scenarios as well as the increased risk of inflation within all scenarios. There remains a significant amount of economic uncertainty and, given the events currently taking place that have not taken place over the models' history, significant model performance uncertainty. To ensure that the overall level of ECL was reasonable and that the judgements applied had been suitably tested, management reviewed the overall output of ECLs and considered a number of alternative assumptions. As a result, despite the decreasing concerns with respect to the COVID-19 pandemic (relative to 31 March 2021), an ECL overlay is still considered appropriate.

The management ECL overlay totals £16.8 million at 31 March 2022 (£16 million at 31 March 2021; £21 million at 30 September 2021). This is a £4.2 million release since 30 September 2021 to reflect the increased modelled ECL given greater downside weighting as well as the reducing impact that the COVID-19 pandemic has on management's underlying assumptions offset by the increasing impact of greater global uncertainty with respect to the Russian invasion of Ukraine, as well as wider supply chain issues. The management ECL overlay seeks to capture the significant level of judgement required in the application of the macro-economic scenarios as well as the ongoing uncertainty in the UK and global operating environment that is not currently captured completely by modelled outputs.

The combined result of the changes to macro-economic scenarios, in-model adjustments and management ECL overlays over the year equate to a neutral effect of ECL impairment charge across Stage 1 and 2. Taken together with specific impairments in the period and run-rate ECL charges on the performing books results in the UK Bank reporting a £25 million ECL impairment charge.

Macro-economic sensitivities
IFRS 9 may result in an increase in the volatility of provisions going forward, particularly for Stage 1 and Stage 2 assets as a result of macro-economic scenario changes. Sensitivities to macro-economic scenarios and factors form part of our overall risk monitoring, in particular the Bank's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged.

The UK Bank's most severe 100% scenario sensitivity was to the downside 2 global shock scenario, which would have resulted in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately £13 million. The base case scenario, if 100% weighted, would result in a decrease in ECLs, holding all else equal, of approximately £6 million reflecting the current view of the overall weighted average scenarios, skewed to the downside.

MACRO-ECONOMICS

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and presented at the relevant BRCCs as well as the relevant capital committees for approval, which form part of the principal governance framework for macro-economic scenarios.

A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec-specific stress scenarios) and IFRS 9 ECL measurement.

For IBP, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.
Taking into account the current macro-economic environment, adjustments have been made to the composition of the downside scenarios. In the first half of the financial year, an inflation scenario was introduced to capture the emergence of risks related to rising prices which anticipates UK CPI inflation peaking at 11.1% in the fourth quarter of 2022. This scenario replaced the fiscal crisis scenario which was used at 31 March 2021. Additionally, since 30 September 2021 the L-shape has been replaced with a global shock scenario encapsulating a synchronised worldwide economic downturn.
In addition to a reassessment of the macro-economic scenarios, a review of the weightings also took place to take into account the latest economic developments and the changes to the scenarios. On this basis, the weightings stood at 10% upside, 45% base case, 30% downside 1 - inflation and 15% downside 2 - global shock. On balance, the risks were clearly skewed to the downside. These weights have been calibrated to take into account the risks to the outlook as a result of developments in the Russian invasion of Ukraine, considering the potential impact on key economic variables such as inflation and growth.

Underlying the base case scenario is the assumption that the Russian invasion of Ukraine does not widen beyond Ukraine and that ultimately a ceasefire is agreed during the second quarter of 2022. Soaring commodity prices are a key consequence of the current crisis and add to inflationary pressure in the UK and elsewhere. However, such price pressures remain temporary in nature and are expected to dissipate over time, also helped by faster labour productivity growth, returning inflation to the 2% target in the medium term. Although in the interim inflation weighs on GDP growth, the buildup of cash buffers by the household and corporate sector helps to absorb some of the impact and prevents a recession from taking hold. This pattern is reinforced in the UK by distortions from the additional bank holiday for the Queen's Platinum Jubilee, which will be a drag on output in the second quarter of 2022 but be followed by a rebound in the third quarter. Where COVID-19 remains a risk, vaccination programmes prove effective in preventing the need for renewed social restrictions in future. This helps sustain an economic rebound across advanced markets, with supply chain problems resolved over time and pent-up demand supporting spending. Monetary and fiscal tightening takes place but is moderate – bank rate rising to 2% in the medium term. Unemployment rates remain historically low over this horizon, and UK economic activity returns to trend growth levels, estimated to correspond to annual GDP growth rates of around 1.6%. Globally, the situation is assumed to be similar to that of the UK with economies expanding in the 2022 calendar year and a relatively gradual removal of monetary stimulus.

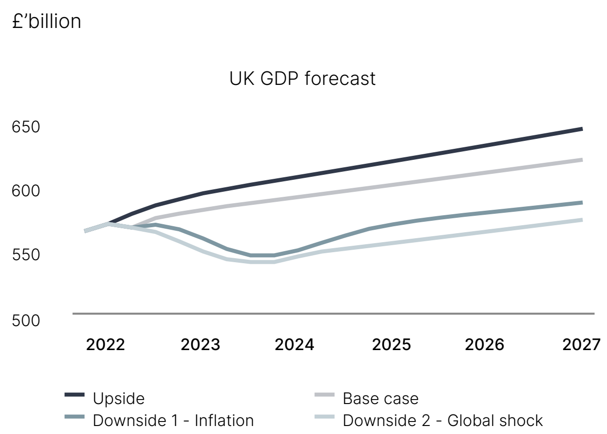
Downside 1 - inflation scenario assumes that the rise in inflation proves more sustained and protracted as wages rise to compensate for higher prices, in turn adding to costs price pressures for firms. Central banks respond by raising interest rates faster and further and also reducing asset holdings at the same time. This sharp tightening of financial conditions to slow the economy is ultimately effective, but not without triggering a downturn, including a period of contraction in GDP, rising unemployment and a correction in equity and bond markets. In time, this then leads to rate cuts. As the economy recovers, a gradual tightening in monetary policy ensues.

Downside 2 – global shock scenario is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a severe synchronized global economic downturn and a sharp repricing of all asset classes, particularly the ones whose valuations are most elevated. Although the shock is assumed to take place early on in the forecasting horizon, lasting headwinds mean the economic and asset price recovery that follows is a slow one. Partly this also reflects the assumption that fiscal support is not as substantial as it was during the initial phase of the COVID-19 pandemic. Faced by a deflationary shock, central banks loosen policy. The BoE does so via asset purchases and a cut in bank rate, to a low of -0.50%. Over time, economic recovery prompts a renewed but slow rise in policy rates

The down case scenarios are severe but plausible scenarios created based on IBP-specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity.

In the upside case, economic activity expands more briskly, as renewed business confidence coupled with an easing of COVID-19 related supply disruptions boosts business investment. In turn that triggers an acceleration in labour productivity, which sustains faster growth for longer as medium-term GDP growth averages 2% per annum. Inflation subsides because higher wages merely reflect faster labour productivity growth rather than adding to cost pressures. Amid a positive environment for corporates, unemployment falls even further. This stronger than expected rebound is seen globally, and monetary policy normalises gradually enough so as not to subdue growth.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 31 March 2022.



MACRO-ECONOMICS CONTINUED

The table that follows shows the key factors that form part of the UK and Other macro-economic scenarios and their relative applied weightings.

	At 31 March 2022 average 2022 – 2027				At 31 March 2021 average 2021 – 2026			
Macro-economic scenarios	**Upside %**	**Base case %**	**Downside 1 inflation %**	**Downside 2 global shock %**	Upside %	Base case %	Downside 1 L-shape %	Downside 2 fiscal crisis %
UK								
GDP growth	2.6	1.9	0.8	0.3	5.4	4.2	1.3	0.9
Unemployment rate	3.3	3.7	5.4	6.4	4.3	4.7	6.9	7.8
CPI inflation	2.4	3.1	3.2	1.6	2.0	1.9	1.1	1.0
House price growth	3.5	2.9	1.5	(3.6)	3.7	1.6	0.7	(0.9)
BoE – Bank rate (end year)	1.8	1.9	2.0	(0.2)	1.0	0.6	(0.4)	(0.7)
Euro area								
GDP growth	2.8	2.1	1.1	0.1	4.4	3.1	1.0	0.9
US								
GDP growth	3.1	2.1	1.4	0.6	6.5	3.4	1.4	1.2
Scenario weightings	**10**	**45**	**30**	**15**	**10**	**55**	**30**	**5**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 31 March 2022.

	Financial years				
Base case %	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**	**2026/2027**
UK					
GDP growth	2.4	2.1	1.6	1.6	1.6
Unemployment rate	3.8	3.7	3.7	3.7	3.7
CPI inflation	7.9	2.2	1.6	2.0	2.0
House price growth	5.9	1.6	2.3	2.4	2.4
BoE – Bank rate (end year)	1.5	2.0	2.0	2.0	2.0
Euro area					
GDP growth	3.0	2.7	1.8	1.6	1.6
US					
GDP growth	3.0	2.1	1.8	1.8	1.8

The following table outlines the extreme point forecast for each economic factor across the scenarios as at 31 March 2022. Baseline represents the five-year base case average. Upside scenario values represent the best outcomes, namely the highest quarterly level of GDP, house price growth (year-on-year), lowest level of unemployment and Bank rate. Upside scenario value for CPI inflation is represented by the five-year average. Downside scenario values represent the worst outcomes being lowest quarterly level of GDP, house price growth (year-on-year). For Bank rate and CPI inflation the most extreme point is listed, the highest level reflective in downside 1 inflation scenario and the lowest level in downside 2 global shock scenario.

Five-year extreme points At 31 March 2022	**Upside %**	**Baseline: Base case five-year average %**	**Downside 1 inflation %**	**Downside 2 global shock %**
UK				
GDP growth	4.5	1.9	(4.2)	(4.3)
Unemployment rate	3.2	3.7	7.0	7.4
CPI inflation	2.4	3.1	11.1	0.5
House price growth	9.0	2.9	(16.8)	(21.9)
BoE – Bank rate (end year)	0.8	1.9	4.0	(0.5)
Euro area				
GDP growth	5.1	2.1	(3.5)	(4.2)
US				
GDP growth	5.2	2.1	(3.9)	(3.9)

ESG (INCLUDING CLIMATE) RISK

Climate risk and opportunities

Our position on climate change

We recognise the complexity and urgency of climate change, and the consequences this has on social well-being. The Investec Group environmental policy and climate change statement considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change. We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Our approach to net-zero

We embrace our responsibility to understand and manage our own carbon footprint. We upheld our commitment and maintained carbon neutrality in our direct operational carbon emissions status for the fourth financial year by sourcing almost 99% of our electricity consumption from renewable energy through the purchase of Renewable Energy Certificates and offsetting the remaining unavoidable emissions of 17% through the purchase of verified and high quality carbon credits. We acknowledge that the widest and most impactful influence we can have is to manage and reduce our carbon emissions in the business we conduct and more specifically in our lending and investing portfolios (Scope 3 financed activities). As such, we are members of the Net-Zero Banking Alliance (NZBA) and we are working together with the Partnership for Carbon Accounting Financials (PCAF) to measure our financed emissions and have established a base line towards a net-zero path.

We continue to build capacity within our specialist skills in advisory, lending and investing to support our clients and stakeholders to move as quickly and smoothly as possible towards a zero-carbon economy.

Climate-related financial disclosures (TCFD)

We publish a separate TCFD report that aligns with the Financial Stability Board Taskforce recommendations. The table below illustrates a summary of progress in terms of the TCFDs.

Refer to detailed information in our 2022 TCFD report which will be available on the Investec Group's website at the end of June 2022.

	Governance	Strategy	Risk management	Metrics
Achievements in prior years	• Established an ESG Executive Committee to align and monitor the Investec Group's climate action • Assigned Board responsibility and oversight for climate-related risks and opportunities • Assigned senior management responsibility for climate-related risks and opportunities • Deepened the ESG skills of the Group DLC SEC.	• Acknowledged the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C compared to pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C • Created a sustainable finance framework • Launched a number of ESG and climate specific products and services.	• Evaluated our lending and investment portfolios for climate-related risks and opportunities • Automated ESG screening incorporated into the risk management process.	• Achieved carbon neutral status across our global operations for direct emissions and committed to ongoing carbon neutral emissions across all operations • Joined PCAF to collaborate with peers measuring Scope 3 financed emissions.
Achievements for the financial year ended March 2022	• Became members of the Net-Zero Banking Alliance (NZBA) • W&I submitted their first UN PRI report • W&I joined Climate Action 100+ • Implemented a more holistic ESG framework linked to executive remuneration • DLC tabled a voluntary climate resolution at the August 2021 AGM, receiving 99.9% support.	• Assessed financed emissions in material asset classes within our lending and investment portfolios • Assessed impact of climate-related risks and opportunities in our businesses • Collaborated on climate-related disclosures with stakeholders, for example, through PCAF • Increased engagement within W&I with existing companies • W&I increased engagement on climate-related matters with the boards of companies.	• Followed the BoE stress test guidelines • Assessed climate-related risks within our operations • Strengthened our climate focus in risk appetite • Reviewed and approved IBP's 'no coal' ambition in the next three to five years.	• Measured the carbon intensity within material asset classes for our Scope 3 lending and investment portfolios using the PCAF and PACTA methodologies • Assessed net-zero pathways according to the SBTi and evaluated the viability of the suggested pathways within our investment and lending portfolios.
Looking forward	• Provide targeted development to the Board, executives, management and staff where skills are required or where skill gaps are identified • Engage with stakeholders on our disclosures to get feedback on how we can improve our governance and oversight • Stronger focus on climate-related and sustainability (including ESG) matters in the IBP and DLC BRCC.	• Further engagement with our clients to assist them in their net-zero carbon ambitions • Continue providing innovative climate-related product offerings • Review and assess the integration of climate-related matters into business strategy • Monitor the progress in terms of the Bank's net-zero carbon ambition • Continue to strengthen the Bank's climate-related and sustainability disclosures.	• Continue to increase our focus on climate-related and sustainability (including ESG) risks • Review developments with regards to climate-related disclosure guidance in specific recommendations by the International Sustainability Standards Board (ISSB) and the Financial Reporting Council (FRC) • Enhanced focus on reporting on climate-related risks.	• Engage with stakeholders to get feedback on how we can improve our measurement and methodologies used • Continue to monitor progress on the Bank's net-zero carbon ambitions • Continue to assess climate scenarios in line with industry recommendations.

INVESTMENT RISK

Investment risk in the banking book

Investment risk in the banking book comprised 1.2% of total assets at 31 March 2022. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the Bank.

We partner with management and other co-investors by bringing capital raising expertise, working capital management, merger and acquisition and investment experience into client-driven private equity transactions as well as leveraging third party capital into the Investec Group's funds that are relevant to the Bank's client base. Investments are selected based on:

- The track record and credibility of management
- Attractiveness of the industry and the positioning therein
- Valuation/pricing fundamentals
- Sustainability analyses
- Exit possibilities and timing thereof
- The ability to build value by implementing an agreed strategy.

Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments.

Additionally, from time to time, the manner in which certain lending transactions are structured results in equity, warrants or profit shares being held, predominantly in unlisted companies. We also source development, investment and trading opportunities to create value within agreed risk parameters.

Management of investment risk

As investment risk arises from a variety of activities conducted by the Bank, the monitoring and measurement thereof varies across transactions and/or type of activity. Independent investment committees exist in the UK which provide oversight of the regions where we assume investment risk.

Risk appetite limits and targets are set to manage our exposure to equity and investment risk.

An assessment of exposures against limits and targets as well as stress testing scenario analyses are performed and reported to IBP BRCC.

As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and sensitivity assumptions and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 191 to 196 and pages 222 to 239 for factors and sensitivities taken into consideration in determining fair value

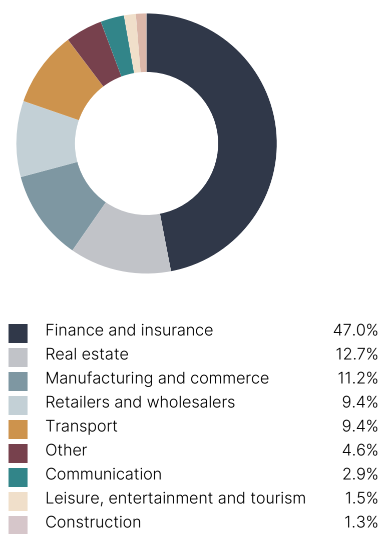
An analysis of income and revaluations of these investments can be found in the investment income note on page 203

Summary of investments

£'million	On-balance sheet value of investments 31 March 2022	On-balance sheet value of investments 31 March 2021
Unlisted investments	331	341
Listed equities	2	10
Total investment portfolio	**333**	**351**
Trading properties	4	25
Warrants and profit shares	6	5
Total	**343**	**381**

An analysis of investment portfolio, warrants and profit shares

31 March 2022
£339 million



SECURITISATION/STRUCTURED CREDIT

Securitisation/structured credit activities exposures

Overview
The Bank's definition of securitisation/structured credit activities is wider than the definition applied for regulatory capital purposes. The regulatory capital definition focuses largely on positions we hold in an investor capacity and includes securitisation positions we have retained in transactions in which the Bank has achieved significant risk transfer. We believe, however, that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a full picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the Bank's credit and counterparty exposure information.

Since 1 January 2020, the UK has applied the new securitisation framework. Given risk-weightings under this new framework are generally not reliant on external ratings, a breakdown by risk-weight has also been provided in the analysis below.

Securitisation transactions provide the Bank with a cost effective, alternative source of financing either through sale to the market or through use of the notes issued as collateral for other funding mechanisms.

We hold rated structured credit instruments. These are UK and US exposures and amounted to £381 million at 31 March 2022 (31 March 2021: £557 million) with 96% being AAA and AA rated. Of the total exposures structured credit exposures, 99% have a risk weighting of less than 40%.

Accounting policies

Refer to page 193

Risk management
All existing or proposed exposures to a securitisation are analysed on a case-by-case basis, with approval required from credit. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings and risk-weightings are presented, but only for information purposes since the Bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the Board-approved risk appetite policy, which details the Bank's appetite for such exposures, and each exposure is considered relative to the Bank's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the Bank prefers to address and manage these risks by only approving exposures to which the Bank has explicit appetite through the constant and consistent application of the risk appetite policy.

Credit analysis
In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

Nature of exposure/activity	31 March 2022 £'million	31 March 2021 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	429	575	Other debt securities and other loans and advances
<40% RWA	423	554	
>40% RWA	6	21	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	205	53	6	—	—	—	264	43	307
UK RMBS	77	30	10	—	—	—	117	5	122
Total at 31 March 2022	**282**	**83**	**16**	**—**	**—**	**—**	**381**	**48**	**429**
<40% RWA	282	83	15	—	—	—	380	43	423
>40% RWA	—	—	1	—	—	—	1	5	6
Total at 31 March 2021	**376**	**173**	**7**	**1**	**—**	**—**	**557**	**18**	**575**

MARKET RISK

Market risk in the trading book

Traded market risk profile

The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow. Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.

Traded market risk year in review
The financial year in review has been characterised by two distinct market regimes – a period of relative stability and benign conditions, followed by a period of increased volatility as a result of strong inflation prints, commodity price extremes, rapidly repricing yield curves and more recently, geo-political risks.

Market risk across the ongoing trading desks remains limited, with the primary focus continuing to be on managing and hedging the market risk arising from client-related activity. The UK Bank continues to wind down its structured products book with IBP executive management, risk management and the business closely monitoring the risk in the substantially reduced remaining book. The macro hedge implemented in the prior year remains in place and has provided downside protection in the event of another extreme market dislocation. The risk management processes related to this book continue to be reviewed and refined, and the remaining risk on the book is regularly reported to IBP and DLC BRCCs and the respective Boards.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams reporting into risk management where limits are approved, managed and monitored.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBP ERC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum and approved by IBP ERC in accordance with the risk appetite defined by the IBP Board. Any significant changes in risk limits are then taken to Group ERC for review and approval. The appropriateness of limits is continually reassessed, with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- Scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- Sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in the ever-changing market environment. Stress scenarios are run daily with analysis presented to IBP Review ERRF weekly and IBP BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control
Market risk limits are set according to our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management when required. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

MARKET RISK
CONTINUED

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from a historic time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model is based on a full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected shortfalls are also monitored daily at the 95% and 99% levels, being the average of the losses in the tail of the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

	31 March 2022				31 March 2021			
95% one-day VaR £'000	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Equities	381	479	742	335	435	828	2 021	302
Foreign exchange	5	9	69	1	10	11	47	1
Interest rates	21	28	172	8	42	52	94	17
Credit	1	13	89	1	62	213	455	42
Consolidated*	**370**	**469**	**699**	**340**	**456**	**896**	**2 155**	**289**

* The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

95% one-day ES £'000	**31 March 2022**	31 March 2021
Equities	530	901
Foreign exchange	7	20
Interest rates	36	66
Credit	1	102
Consolidated*	**525**	**941**

* The consolidated ES for each entity is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes.

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but is based on a one-year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR.

£'000	**31 March 2022**	31 March 2021
99% one-day sVaR	**858**	**722**

MARKET RISK
CONTINUED

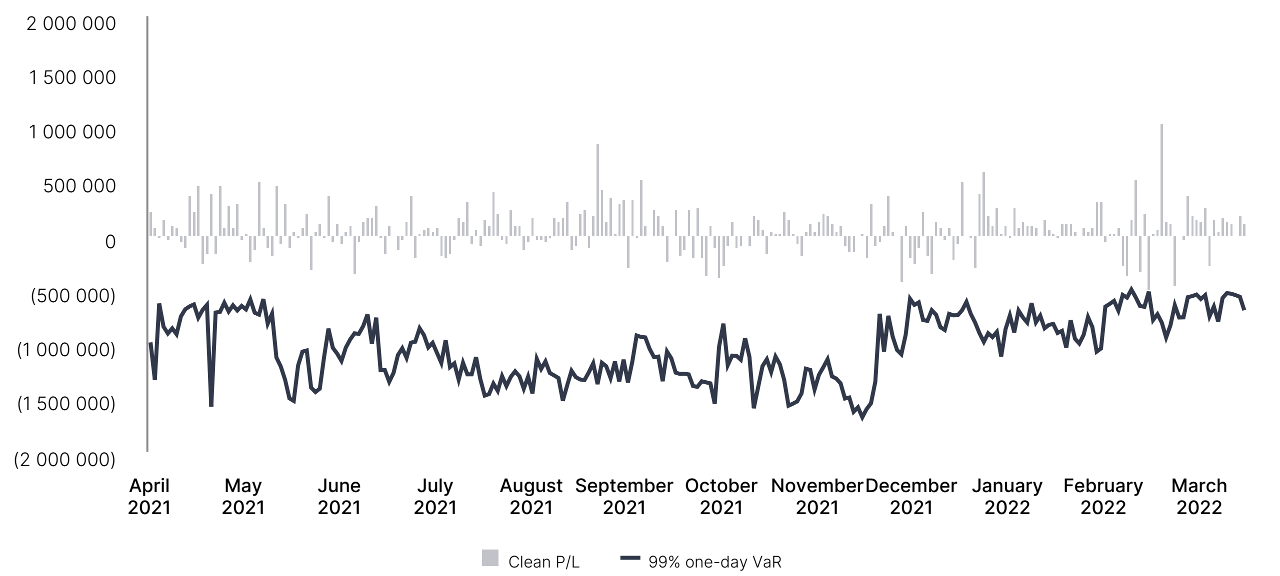
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in the new trade revenue. If a loss exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested. This is conducted at an aggregate and desk level on a daily basis.

The graph that follows shows the result of backtesting the total daily 99% one-day VaR against the clean profit and loss data for our trading activities over the reporting period. Based on these graphs, we can gauge the accuracy of the VaR figures i.e. 99% of the time, losses are not expected to exceed the 99% one-day VaR.

The average VaR for the year ended 31 March 2022 was lower than for the year ended 31 March 2021. Using clean profit and loss data for backtesting resulted in no exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. Two to three exceptions are expected over a one year period. The absence of exceptions is attributable to the reduced risk in the structured products book, the volatile 2020 COVID-19 data still being in the historic period of the VaR model for much of the reporting period and the more stable equity markets experienced over much of the year.

99% one-day VaR backtesting (£)



Stress testing

The table below indicates the potential losses that could arise in the trading book portfolio per EVT at the 99% confidence level. EVT is a methodology widely used to estimate tail-event losses beyond the 95% one-day VaR. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

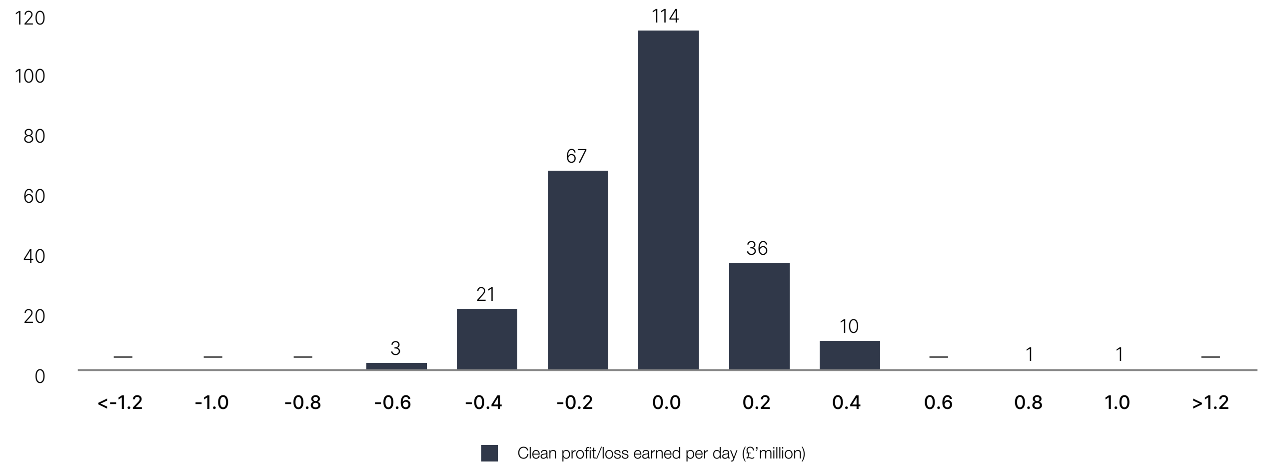
99% EVT £'000	**31 March 2022**	31 March 2021
Equities	1 503	5 315
Foreign exchange	15	79
Interest rates	182	134
Credit	2	366
Consolidated#	**1 420**	**5 335**

\# The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.

MARKET RISK
CONTINUED

Clean profit and loss histogram
The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 162 days out of a total of 253 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2022 was £55 676 (year to 31 March 2021: £446).

Clean profit and loss
Frequency: Days in the year



Market risk – derivatives
The Bank enters into various derivatives contracts, largely on the back of customer flow. These are used for hedging foreign exchange, interest rates, commodity, equity and credit exposures and to a small extent as principal for trading purposes. Traded instruments include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 244 and 245

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

BALANCE SHEET RISK AND LIQUIDITY

Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and non-trading interest rate risk.

Balance sheet risk governance structure and risk mitigation
Investec plc (and its subsidiaries, including IBP) are ring-fenced from Investec Limited (and its subsidiaries), and vice versa. Both legal entities (and their subsidiaries) are therefore required to be self-funded, and manage their funding and liquidity as separate entities.

Risk appetite limits are set at the relevant Board level and reviewed at least on an annual basis. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each relevant region. Specific regulatory requirements may further dictate additional restrictions to be adopted in a region.

Under delegated authority of the respective Boards, the Investec Group has established ALCOs within each banking entity, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

ALCOs meet on at least a monthly basis to review the exposures within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each banking entity is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function, by banking entity, is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the Board-approved risk appetite limits. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

The Treasury function, by banking entity, directs pricing for all deposit products, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

Balance sheet risk management is based within Group risk management and is responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the Bank's policies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by internal audit.

Daily, weekly and monthly reports are independently produced highlighting Group activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, IBP Review ERRF, IBP ERC and IBP BRCC as well as summarised reports for Board meetings.

Liquidity risk
Liquidity risk is further broken down into:

- **Funding liquidity risk:** this relates to the risk that the Bank will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- **Market liquidity risk:** this relates to the risk that the Bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Management and measurement of liquidity risk
Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the Bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling liquidity risk:

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA, GFSC and FINMA
- The risk appetite is clearly defined by the Board and each geographic entity must have its own Board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The Bank maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. These include:

- An internal 'survival horizon' metric which models the number of days it takes before the Bank's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- An array of liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

model the impact on the Bank's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event on the Bank's balance sheet, so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the Board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which tests 'tail risks' that can be missed in normal stress tests. The Bank has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the Bank's strong liquidity position, as it requires an extreme withdrawal of deposits combined with the inability to take any management actions to breach liquidity minima that threatens the Bank's liquidity position.

The Bank operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis.

Funding strategy
We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of funded assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base in line with our risk appetite.

The Bank actively participates in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business as part of a diversified funding mix.

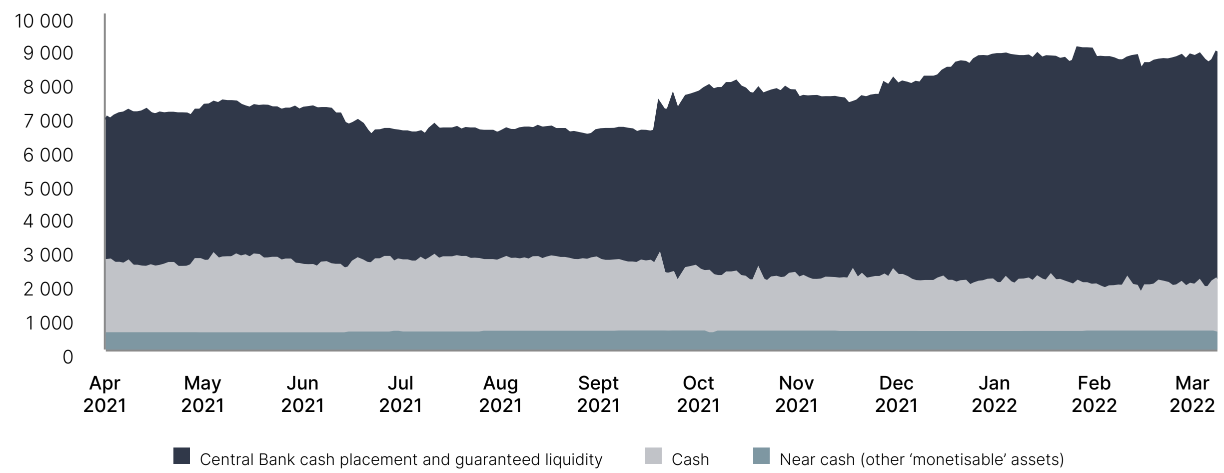
The Bank's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the Bank's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including operating environment, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer
To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection against disruptions in cash flows. These portfolios are managed within Board-approved targets, and as well as providing a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. The Bank remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

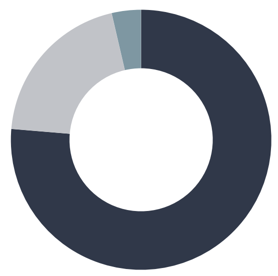
From 1 April 2021 to 31 March 2022 average cash and near cash balances over the period amounted to £7.5 billion.

Cash and near cash trend
£'million



BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

An analysis of cash and near cash at 31 March 2022
£8 871 million



Central Bank cash placements and guaranteed liquidity	76.4 %
Cash	20.0 %
Near cash (other 'monetisable' assets)	3.6 %

Bank and non-bank depositor concentration by type at 31 March 2022
£20 643 million

Individuals	56.0 %
Other financial institutions and corporates	29.7 %
Banks	9.8 %
Small business	4.5 %

Contingency planning
We maintain a contingency funding plan which details the course of actions that can be taken in the event of a liquidity stress. The plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plan includes:

- Details on the required daily monitoring of the liquidity position
- Description of the early warning indicators to be monitored, and process of escalation if required
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios)
- Funding and management actions available for use in a stress situation
- Roles and responsibilities
- Details of specific escalation bodies and key contacts
- Internal and external communication plans.

The plan has been tested via an externally facilitated liquidity crisis simulation exercise which assessed the Bank's sustainability and ability to adequately contain a liquidity stress.

The PRA strongly encourages firms to combine their CFP and recovery plan into one integrated document. The integration of the CFP into the Investec plc recovery plan was approved by the Board during the financial year.

Further information on recovery and resolution planning can be found on page 108

Asset encumbrance
An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

Risk management monitors and manages total balance sheet encumbrance within a Board-approved risk appetite limit. Asset encumbrance is one of the factors considered in the discussion of new products or new funding structures, and the impact on risk appetite is assessed.

The Bank uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the Bank which are eligible for the BoE's Single Collateral Pool to support central bank liquidity facilities.

Encumbered assets are identified in accordance with the definitions under European Capital Requirements Regulation (CRR), and regular reporting is provided to the EBA and PRA.

On page 242 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Liquidity mismatch
The tables that follow show the Bank's contractual and behavioural liquidity mismatch.

With respect to the contractual liquidity table that follows, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- Liquidity buffer: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the Bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class
- Customer deposits: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2022

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	6 763	52	26	—	—	6	—	6 847
Investment/trading assets	552	680	352	314	520	694	1 225	4 337
Securitised assets	—	2	—	—	1	26	64	93
Advances	4	720	527	1 093	1 445	7 569	3 216	14 574
Other assets	106	773	56	44	17	389	353	1 738
Assets	**7 425**	**2 227**	**961**	**1 451**	**1 983**	**8 684**	**4 858**	**27 589**
Deposits – banks	(278)	(92)	—	—	—	(1 657)	—	(2 027)
Deposits – non-banks	(7 734)	(644)	(3 622)	(2 988)	(2 079)	(1 461)	(88)	(18 616)
Negotiable paper	(1)	(5)	(7)	(31)	(41)	(1 023)	(13)	(1 121)
Securitised liabilities	—	(3)	(3)	(5)	(27)	(58)	—	(96)
Investment/trading liabilities	(115)	(166)	(93)	(65)	(233)	(312)	(77)	(1 061)
Subordinated liabilities	—	—	—	—	—	—	(759)	(759)
Other liabilities	(97)	(781)	(45)	(69)	(28)	(289)	(53)	(1 362)
Liabilities	**(8 225)**	**(1 691)**	**(3 770)**	**(3 158)**	**(2 408)**	**(4 800)**	**(990)**	**(25 042)**
Total equity	—	—	—	—	—	—	(2 547)	(2 547)
Contractual liquidity gap	**(800)**	**536**	**(2 809)**	**(1 707)**	**(425)**	**3 884**	**1 321**	**—**
Cumulative liquidity gap	(800)	(264)	(3 073)	(4 780)	(5 205)	(1 321)	—	

Behavioural liquidity at 31 March 2022
As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**5 835**	**160**	**(2 574)**	**(1 342)**	**(596)**	**(2 756)**	**1 273**	**—**
Cumulative	5 835	5 995	3 421	2 079	1 483	(1 273)	—	

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Non-trading interest rate risk description
Sources of interest rate risk in the banking book include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of Bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the Bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** arises from optional elements embedded in items where the Bank or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest earnings and the economic value of equity.

Measurement and management of non-trading interest rate risk
Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of non-trading banking products and services. The Bank considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of non-trading interest rate risk management is to protect and enhance net interest income and economic value of equity in accordance with the Board-approved risk appetite and to ensure a high degree of stability of the net interest margin over an interest rate cycle. Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the Bank's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based yield curve changes.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore assess the risk beyond the earnings horizon.

Each banking entity has its own Board-approved non-trading interest rate risk appetite, which is clearly defined in relation to both income risk and economic value risk. The Bank has limited appetite for non-trading interest rate risk.

Operationally, daily management of interest rate risk is centralised within the Treasury of each banking entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking book's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Automatic optionality arising from variable rate products with an embedded minimum lending rate serves as an income protection mechanism for the Bank against falling interest rates, while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Interest rate sensitivity gap at 31 March 2022

The table below shows our non-trading interest rate mismatch assuming no management intervention.

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	6 812	—	—	—	—	—	6 812
Investment/trading assets	2 153	169	152	162	32	333	3 001
Securitised assets	93	—	—	—	—	—	93
Advances	9 606	651	656	3 304	357	—	14 574
Other assets	—	—	—	—	—	1 388	1 388
Assets	**18 664**	**820**	**808**	**3 466**	**389**	**1 721**	**25 868**
Deposits – banks	(1 984)	(10)	(4)	(27)	—	—	(2 025)
Deposits – non-banks	(15 078)	(1 107)	(1 743)	(630)	—	—	(18 558)
Negotiable paper	(466)	—	—	(507)	—	—	(973)
Securitised liabilities	(96)	—	—	—	—	—	(96)
Investment/trading liabilities	(129)	—	—	—	—	—	(129)
Subordinated liabilities	—	—	—	(759)	—	—	(759)
Other liabilities	—	—	—	—	—	(872)	(872)
Liabilities	**(17 753)**	**(1 117)**	**(1 747)**	**(1 923)**	**—**	**(872)**	**(23 412)**
Total equity	—	—	—	—	—	(2 456)	(2 456)
Balance sheet	**911**	**(297)**	**(939)**	**1 543**	**389**	**(1 607)**	**—**
Off-balance sheet	1 358	(7)	221	(1 244)	(328)	—	—
Repricing gap	**2 269**	**(304)**	**(718)**	**299**	**61**	**(1 607)**	**—**
Cumulative repricing gap	2 269	1 965	1 247	1 546	1 607	—	

Economic value sensitivity at 31 March 2022

As outlined, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	(13.0)	7.7	3.0	1.8	—	0.1	(3.5)
200bps up	15.7	(5.5)	(2.2)	(1.8)	—	—	8.6

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

A Interest rate risk - IBOR reform

During the financial year, the Bank has successfully transitioned almost all of the GBP assets away from referencing IBOR to referencing alternative rates. A small number of remaining GBP loans are expected to reference Synthetic LIBOR. Furthermore, as from 1 January 2022, all new USD lending is non-LIBOR based. The project will still continue to monitor the transition of existing USD LIBOR linked products to alternative rates, ahead of USD LIBOR cessation on 30 June 2023. For other benchmark interest rates such as EURIBOR that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

Given progress to date, the Bank has limited remaining risk with respect to ongoing IBOR reform.

The project was led by senior representatives from functions across the Bank including the client facing teams, Treasury, legal, finance, operations, risk and technology and provided regular progress updates to the DLC Board, DLC BRCC and IBP BRCC.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely.

These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Business risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to risk-free rates

The tables that follow summarise the exposures impacted by interest rate benchmark reform.

At 31 March 2022	GBP IBOR - no. of trades	GBP - Notional value (£'million)	Other IBOR - no. of trades	Other - Notional value (£'million)
Derivatives	1	42	729	19 946
Other debt securities	5	25	25	208
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	2	114
Loans and advances to customers	37	185	174	1 345
Of which undrawn	—	7	—	193
Customer accounts (deposits)	—	—	2	456
Debt securities in issue	—	—	8	14

At 31 March 2021	GBP IBOR - no. of trades	GBP - Notional value (£'million)	Other IBOR - no. of trades	Other - Notional value (£'million)
Pre-2022 dated instruments				
Derivatives	126	2 663	113	3 746
Sovereign debt securities	—	—	1	11
Other debt securities	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	1	73
Loans and advances to customers	491	982	104	196
Of which undrawn	—	178	—	57
Customer accounts (deposits)	43	44	32	31
Post-2022 dated instruments				
Derivatives	613	11 054	769	20 681
Other debt securities	51	256	69	306
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—
Loans and advances to customers	897	3 363	257	1 694
Of which undrawn	—	590	—	295
Other loans and advances	7	17	21	103
Customer accounts (deposits)	21	30	12	449

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Regulatory requirements
Liquidity risk
In response to the 2008/09 global financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy.

Two minimum standards for funding liquidity were introduced:

- The liquidity coverage ratio (LCR) is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

Following the UK's departure from the EU, the PRA have exercised temporary transitional powers (TTP), meaning that EU regulation in place prior to the end of the transition period largely remained valid in the UK until 31 March 2022. As such, the LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 31 March 2022 the LCR was 476% for IBP (solo basis).

Within the UK, the NSFR has become a binding requirement for banks since January 2022. Banks are now required to maintain a minimum NSFR of 100%. Our calculation of the NSFR is based on the reporting requirements set out in Implementation of Basel standards July 2021 Annexes XII and XVIII of the CRR Regulatory Reporting Part of the PRA rulebook. The NSFR at 31 March 2022 was 136% for IBP (solo basis).

Investec plc undertakes an annual ILAAP which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards before being provided to the PRA for use, alongside the Liquidity Supervisory Review and Evaluation Process, to determine the bank's Individual Liquidity Guidance, also known as a Pillar II requirement.

Non-trading interest rate risk
In 2016, the BCBS finalised their standards for non-trading interest rate risk which recommended the risk is assessed as part of the Bank's capital requirements, outlined six prescribed shock scenarios, and recommended enhanced disclosure requirements for supervisors to implement.

Within the UK, the PRA have published the PS 22/21 Implementation of the Basel standards, which are new binding rules on the interest rate risk arising from non-trading activities, effective since 1 January 2022.

The regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of their ICAAP. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards.

Balance sheet risk year in review
The Bank maintained its strong liquidity position and continues to hold high levels of surplus liquid assets. Our liquidity risk management process remains robust and comprehensive.

Funding continues to be dynamically raised through a mix of customer liabilities diversified by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of depositors. Those diversified funding channels have proven to be capable of raising funding throughout the year supporting both strong asset growth and our strategy to transition retail deposits from a non-digital process to the new lower cost digital platform. The new digital retail deposit products have demonstrated strong growth in the market with the launch of our Fixed Rate Saver product in July 2021, complementing the continued growth of our Online Flexi Saver book following its launch in 2020/2021.

We have limited reliance on wholesale funding but we maintain access and presence, using such issuance to strategically diversify our funding base and complement the other liability channels by focusing, where appropriate, on tenor and currency.

Wholesale issuance in the year took advantage of strong market conditions in 2021 to focus on both additional opportunities and refinance maturities at attractive spreads, with the added benefit of continuing to diversify the debt capital markets investor base.

As at 31 March 2022, IBP had £1.2 billion of drawings under the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME) maturing in late 2025.

This overall approach has enabled the Bank to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management.

Cash and near cash balances at 31 March 2022 amounted to £8.9 billion (31 March 2021: £6.9 billion). Total customer deposits were £18.6 billion at 31 March 2022 (31 March 2021: £16.2 billion).

Looking forward, the focus remains on maintaining a strong liquidity position in light of both market volatility as a result of inflationary concerns and exacerbated by the Russian invasion of Ukraine, as well as the support of the ongoing digital retail transition strategy. Funding continues to be actively raised, particularly in the retail market through the digital channels, in line with a medium- to long-term strategy to reduce the overall cost of the liability base supported by stable credit ratings.

Refer to page 47 for further detail on credit ratings

OPERATIONAL RISK

Operational risk

Operational risk is an inherent risk in the ordinary course of business activity. The impact could be financial as well as non-financial. Possible non-financial impacts could include customer detriment, reputational or regulatory consequences.

Management and measurement of operational risk
The Bank manages operational risk through an operational risk management framework that is embedded across all levels of the organisation and is supported by a strong risk management culture. The key purpose of the operational risk management framework is to define the policies and practices that provide the foundation for a structured and integrated approach to identify, assess, mitigate/manage, monitor and report on operational risks.

The key operational risk practices are as follows:

Identify and assess	**Risk and control assessments**	• Risk and control assessments are forward-looking, qualitative assessments of inherent and residual risk that are performed on key business processes using a centrally defined risk framework • These assessments enable business to identify, manage and monitor operational risks, incorporating other elements of the operational risk management framework such as risk events and key indicators • Detailed control evaluations are performed, and action plans developed and implemented where necessary to ensure that risk exposure is managed within acceptable levels.
	Internal risk events	• Internal risk events provide an objective source of information relating to failures in the control environment • The tracking of internal risk event data provides an opportunity to improve the control environment and to minimise the occurrence of future risk events • In addition, internal risk event data is used as a direct input into the Pillar II capital modelling process.
	External risk events	• External risk events are operational risk related events experienced by external financial institutions • Investec Group is an active member of a global external data service used to benchmark our internal risk event data against other local and international financial service organisations • The external data is analysed to enhance the control environment, inform scenario analysis and provide insight into emerging operational risks.
Mitigate/ manage	**Risk exposures**	• Risk exposures are identified through the operational risk management processes, including but not limited to risk assessments, internal risk events, key indicators and audit findings • Residual risk exposure is evaluated in terms of the Group's risk appetite and mitigated where necessary by improving the control environment, transferring through insurance, terminating the relevant business activity or accepting the risk exposure for a period of time subject to formal approval and monitoring.
Monitor	**Key risk indicators**	• Indicators are metrics used to monitor risk exposures against identified thresholds • The output provides predictive capability in assessing the risk profile of the business.

Operational risk governance framework
The operational risk governance structures form an integral part of the operational risk management framework. Key components of the governance structures are:

Roles and responsibilities
The Bank, in keeping with sound governance practices, has defined roles and responsibilities for the management of operational risk in accordance with the three lines of defence model, i.e. business line management, an independent operational risk function and an independent internal audit function.

Specialist control functions are responsible for the management of key operational risks. These include, but are not limited to: compliance (including financial crime compliance), cyber, finance, fraud, legal and information security risks.

Committees
Operational risk is managed and monitored through various governance forums and committees that are integrated with the Bank's risk management governance structure and report to Board level committees.

The Bank's operational risk profile is reported to the governance forums and committees on a regular basis, which contributes to sound risk management and decision-making by the Board and management.

- Operational risk:

Management forums and committees are in place at each entity level. Key responsibilities include the monitoring of operational risk and oversight of the operational risk management framework, including approval of the operational risk management policies.

- Technology and information security risk:

The DLC IT Risk and Governance Committee is responsible for the monitoring of current and emerging technology and information security risk. In addition, the committee considers the strategic alignment of technology and business.

OPERATIONAL RISK
CONTINUED

Risk appetite
Operational risk appetite is defined as the level of risk exposure that is acceptable to the Board in order to achieve its business and strategic objectives. The Board is responsible for setting and regularly reviewing the risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the Bank is willing to accept.

Operational risks are managed in accordance with the approved risk appetite. Any breaches of limits are escalated in accordance with the appropriate governance structures.

Operational risk year in review
Key operational risk themes
During the year the Bank remained focused on the management of the following key operational risk themes:

Business disruption and operational resilience risk
- Resilience capabilities continued to be tested by the ongoing pandemic
- The growing regulatory requirements for operational resilience increased the compliance expectations and delivery of stakeholder value.

Information security and cyber risk
- Accelerated digitalisation of the business and client services, and remote/hybrid working, increased the inherent cyber risk
- The sophistication of threat actors continued to represent a growing threat, with both frequency and intensity of attacks increasing on a global scale
- Security monitoring was stepped up in light of the Russian invasion of Ukraine and associated escalation in cyber risk to the financial services sector
- The Bank's cyber risk was well managed, and no material impact or losses attributed to cyber events were experienced.

People risk
- The COVID-19 pandemic continued to impact on the physical, financial and emotional wellbeing of staff
- Reduced infection rates and easing of global and regional restrictions saw the reintroduction of staff back to the office
- An increasingly competitive skills market necessitated targeted strategies to source, retain and advance talent/human capital

Regulatory compliance risk
- Increasingly stringent regulatory compliance obligations continued to be a focus for the Bank
- There has been a sustained focus by regulators on resilience in the financial services sector and emphasis placed on working towards ensuring a financial system that is fair, efficient and resilient.

Third party risk
- The Bank's strategic intent towards digitalisation placed increased reliance on third party services and cloud providers
- Enhanced third party review, due diligence and risk management practices were a key focus area
- Monitoring of financial health, adverse media, and cyber posture of key third parties was implemented.

Operational risk events
The Bank continued to manage internal risk events within the agreed Board-approved operational risk appetite. Causal analysis is performed on risk events to determine the reason for the failure and to assist with the effective identification of actions required to mitigate the reoccurrence of events.

The following analysis details the Bank's operational risk net losses spread across key Basel risk event categories for the financial year.

The evaluation of the top three categories by net loss value are as follows:

Execution, Delivery and Process Management:
- The cause of events in this category are primarily driven by human error when executing transactions
- Process improvements and staff training remain areas of focus to mitigate risk events in this category.

External Fraud:
- Fraud threats continue to evolve and become more sophisticated
- Continuous improvements are made to fraud control measures and rules enhanced to manage the threat within acceptable loss levels.

Insurance
The Bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE

Reputational and strategic risk

The Bank aspires to maintain an excellent reputation for entrepreneurship, strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The Bank recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles. We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The Bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous Group culture and values assessment, internal audit and regulatory compliance review, and risk management practices. As one of our core values and philosophies, we demand cast iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Strategic and reputational risk is mitigated as much as possible through these detailed processes and governance/escalation procedures from business units to the IBP Board, and from regular, clear communication with shareholders, customers and all stakeholders. In line with regulatory requirements, the Investec Group has a disclosure and market communications policy which is reviewed and approved annually by Group ERC and DLC BRCC. This policy is distributed and readily accessible to all staff. In addition, it is the Investec Group's policy to avoid any transaction, service or association which may bring with it the risk of potential damage to our reputation. Transaction approval governance structures such as credit and new product committees have therefore been tasked with this responsibility in relation to all new business undertaken.

Legal risk

Our objective is to identify, manage, monitor and mitigate legal risks throughout the Bank. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes, among other things, the following areas:

- Commercial contracts with service providers
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

Overall responsibility for the legal risk policy rests with the IBP Board. The IBP Board delegates responsibility for implementation of the policy to the global head of IBP legal risk.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing procedures to ensure the legal function is consulted at all appropriate times to manage and mitigate legal risks
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing Legal Risk Forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Further information on specific legal matters, including the investigation into historical German dividend tax arbitrage transactions, can be found on page 262

Compliance

Regulatory change continues to be a key feature in the financial sector with ongoing global political events adding uncertainty as to the shape of financial services regulation going forward. Technological risk and social concerns, including environmental sustainability, are increasingly being addressed through regulation.

Global regulators expect financial services institutions to implement robust governance arrangements to enhance stability and ensure financial services are delivered in an appropriate manner. Regulators continue to focus on promoting resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural enhancements to the banking sector as well as customer and market conduct related reforms.

Non-financial risks such as cyber security breaches and employee misconduct are a focus for regulators to ensure that consumers are appropriately protected and that stakeholders are treated appropriately. The maintenance of data quality and security remains a high priority for the banking industry and its regulators, in order to increase the efficiency of delivery and strengthen oversight.

The Bank remains focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in all of our jurisdictions. Our culture is central to our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE
CONTINUED

Conduct risk and consumer protection
The FCA has maintained its focus and approach to managing conduct risk across the financial services industry. During the period the FCA has continued to focus on advancing its three operational objectives: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interest of consumers. The FCA remains committed to identifying and tackling instances of consumer harm, rooting out systemic risk within the industry and securing remediation where things go wrong. The FCA intends to set higher standards for the industry and to see greater levels of consumer protection in place. To further that aim, the FCA is consulting on the new Consumer Duty, which aims to ensure that firms put customers at the heart of what they do. The new duty will consist of a new Consumer Principle and a suite of rules and guidance setting more detailed expectations for firms. The new duty will apply to Investec's business areas involved in the manufacturing, distribution or sale of products to retail consumers. The implementation is scheduled for April 2023, although it might be extended.

Since the beginning of the pandemic, the FCA's main priority was to protect vulnerable customers by raising awareness of the increased risk of financial scams, ensuring that customers maintain access to financial services, and continue to be treated fairly. The FCA has issued a range of forbearance measures such as mortgage repayment holiday, capital payment and interest freezes on certain type of lending facilities, and a temporary ban on repossessions to support customers through the pandemic.

The FCA expects all institutions to have a robust conduct risk management framework in place to facilitate culture that delivers good outcomes for clients, counterparties and the markets and holds their staff and senior management to appropriate standards of competence, integrity and ethical behaviour.

Specifically, UK institutions are expected to be able to demonstrate that their culture, governance and approach to rewarding and managing staff, are at all times aligned to the interests of customers and other stakeholders.

As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of market conduct. Firms are also required to have appropriate policies and frameworks in place to manage non-financial misconduct such as discrimination, bullying, harassment, sexual misconduct or victimisation. Firms are required to create an environment in which it is safe to speak up, the best talent is retained and the best risk decisions are taken.

The FCA and PRA are proposing a number of changes to improve Diversity and Inclusion (D&I) in regulated firms. These proposals, if implemented, will require firms to demonstrate steps that are being taken to embed D&I into every aspect of their business, including Board and senior management composition and succession planning, remuneration and product governance. The regulators will also require firms to gather D&I related data, measure their performance against key D&I metrics and report on them to the regulators. The Bank has participated in the consultation process and is committed to building a diverse and inclusive workplace that reflects the diversity of our employees, client base and the society within which we operate.

Culture, conduct and good governance are ongoing themes which underline much of the FCA's approach with focus on the role of the individual as well as the institution. The FCA has considered the role of leaders, incentives and capabilities and governance of decision-making.

The IBP Board, along with senior management, are ultimately responsible for the Bank's culture and conduct risk frameworks. The Bank has continued over the period to focus on enhancements to our conduct risk management framework to ensure consistent delivery of good customer outcomes and effective management of conduct risk throughout our business. This has included strengthening business-led identification and management of conduct risk, improvements to the product review and approval process, robust processes for dealing with regulatory and conduct breaches and a sustained focus on maintaining the highest levels of regulatory compliance throughout our business. Investec's conduct risk management in the UK is underpinned by the Senior Manager and Certification Regime which strengthens individual accountability and sets minimum standards of individual behaviour in financial services.

Financial crime
Financial crime continues to be an increasing regulatory focus, with regulators globally encouraging firms to adopt a dynamic approach to the management of risk and to increase efforts around systems and controls to combat money laundering, tax evasion and bribery and corruption. The FCA also highlights financial crime (frauds and scams) and anti-money laundering (AML) as one of their key cross-sector priorities. The Bank maintains and continues to enhance the robust risk based approach to the ever-evolving criminal typologies. Policies, procedures and training are in place, in order to guard against the risks of financial crime.

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE
CONTINUED

Brexit
As of 1 January 2021, UK firms lost their passporting rights to provide banking and investment services to clients based in the EU. Investec Europe Limited (IEL), a fully licensed Irish MiFID firm, provides a range of MiFID services to new and existing EU clients that can no longer be serviced by IBP. IBP is currently able to provide corporate lending and designated investment services to professional clients in select EU countries, based on local exemptions. However, the EU has proposed new harmonised rules for non-EU firms carrying on banking and investment business in the EU. The new rules, which will form part of the CRR3/CRD6 package, would prohibit third-country firms like IBP from carrying out banking and MiFID activities with EU clients without establishing a branch or a subsidiary (except on a reverse solicitation basis). These proposals are subject to consultation and, once approved, are likely to come into force at the end of 2024. Investec is monitoring these developments and assessing their impact on its ability to conduct business with EU clients in the long term.

Tax reporting (FATCA, CRS, MDR and DAC6)
The Foreign Account Tax Compliance Act (FATCA) aims to promote cross-border tax compliance by implementing an international standard for the automatic exchange of tax information relating to US investors. The provisions call on tax authorities worldwide, to obtain on an annual basis, detailed account information from financial institutions relating to US investors and exchange that information automatically, with the United States Internal Revenue Service.

The OECD took further steps to improve global cross-border tax compliance by releasing the Common Reporting Standard (CRS). The CRS is a set of global standards for the annual exchange of financial information by financial institutions pertaining to customers, ultimately to the tax authorities of the jurisdictions in which those customers are resident for tax purposes. IBP is compliant with obligations under FATCA and CRS in all relevant jurisdictions.

The OECD published Mandatory Disclosure Rules that aim to provide tax administrations with information on CRS avoidance arrangements and opaque offshore structures, including the users of those arrangements and structures and those involved with facilitation. Many CRS jurisdictions such as the Channel Islands have now incorporated this into domestic law. Following suit, the EU introduced its own Mandatory Disclosure Regime in relation to cross-border tax arrangements, commonly known as DAC6. This regime applies to cross-border tax arrangements, which meet one or more specified characteristics (Hallmarks) and which concern either more than one EU country, or an EU country and a non-EU country.

On 4 January 2021, the UK Tax Authorities (HMRC) confirmed that the UK will no longer apply DAC6 reporting in its entirety following the conclusion of the Free Trade Agreement with the EU. Only arrangements that would be within the scope of CRS will now need to be reported which is in line with the OECD's Mandatory Disclosure Rules. The UK is yet to finalise its regulations on Mandatory Disclosure Rules. The draft regulation named International Tax Enforcement (Disclosable Arrangements) Regulations was issued in October 2021.

RECOVERY AND RESOLUTION PLANNING

Recovery and resolution planning

The purpose of the recovery plan is to document how the Investec plc Board and management will plan for Investec plc to recover from extreme financial stress to avoid liquidity and capital difficulties. The plans are reviewed and approved by the IBP and Investec plc Boards on an annual basis.

The focus of the Investec plc recovery plan is the recovery of IBP and the protection of its depositors and other clients. The plan:

- Integrates with existing contingency planning
- Identifies roles and responsibilities
- Identifies early warning indicators and trigger levels
- Analyses how the Group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the Boards and management to respond to the situation, including immediate, intermediate and strategic actions
- Identify the recovery capacity available to avoid resolution actions.

The Bank Recovery and Resolution Directive (BRRD) was implemented in the UK via the UK Banking Act 2009. It was recently amended by the BRRD (Amendment) (EU Exit) Regulation 2020, which implemented into UK law certain amendments to the BRRD which were required to be implemented prior to the UK leaving the EU.

The BoE, the UK resolution authority has the power to intervene in and resolve a financial institution that is no longer viable. This is achieved through the use of various resolution tools, including the transfer of business and creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency.

The PRA has made rules that require authorised institutions to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery options that authorised institutions could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the services provided, as well as the structure and operation of the authorised institution in question which will be used by the BoE to develop resolution strategies for that specific institution, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In line with PRA and onshored EU requirements, Investec plc maintains a resolution pack and a recovery plan. Even though the recovery plan is framed at Investec plc level, given that IBP constitutes over 74% of Investec plc's balance sheet, the focus of this document is the recovery of IBP and the protection of its depositors and other clients.

Similarly, the resolution pack is drafted for Investec plc. As Investec plc is a financial holding company and IBP is its most significant entity, the Investec plc resolution strategy is expected to be driven and determined by the resolution strategy for IBP.

The BoE confirmed in March 2021 the preferred resolution strategy for IBP remains Modified Insolvency and the Minimum Requirement for own funds and Eligible Liabilities (MREL) requirement is set as equal to IBP's Total Capital Requirement (Pillar 1 plus Pillar 2A).

The BoE clarified in August 2021 that firms subject to Modified Insolvency will no longer receive regular letters confirming their preferred resolution strategy. An updated letter will only be issued when the BoE considers it likely the preferred resolution strategy will change.

CAPITAL ADEQUACY

Capital management and allocation

Current regulatory framework

IBP is authorised by the PRA and is regulated by the FCA and the PRA. The Bank calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) have been onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018. The PRA confirmed it would make use of temporary transitional powers at the end of the Brexit transitional period, which allows UK regulators to phase-in changes to UK regulatory requirements, enabling firms to adjust to the UK's post-transition period regime in an orderly way. The relief was available for a period of 15 months from the end of the transitional period until 31 March 2022.

A summary of capital adequacy and leverage ratios

	31 March 2022*	31 March 2021*
Common Equity Tier 1 ratio**	12.0%	11.8%
Common Equity Tier 1 ratio (fully loaded)***	11.6%	11.3%
Tier 1 ratio**	13.6%	13.4%
Total capital ratio**	18.2%	16.4%
Risk-weighted assets (£'million)**	16 462	15 789
Leverage exposure measure (£'million)^	23 874	26 351
Leverage ratio^	9.3%	8.0%
Leverage ratio (fully loaded)^ ***	9.1%	7.7%

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 and 2021 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 37bps (31 March 2021: 16bps) higher, on this basis.

** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis. The 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a CRD IV basis.

IBP applies the Standardised Approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. Effective 1 January 2022, IBP has implemented the outstanding CRR II changes to be implemented in the UK, most notably the new Standardised Approach for measuring Counterparty Credit Risk (SA-CCR) and changes to the large exposure regime.

In October 2021, the Financial Policy Committee and the PRA confirmed the new UK leverage ratio framework will apply from 1 January 2022 and the existing leverage ratio parts of the UK CRR would be revoked. IBP is not subject to the minimum leverage ratio requirement of 3.25%, but is subject to a 'supervisory expectation' to manage excessive leverage by ensuring the leverage ratio does not fall below 3.25%. For simplicity, the same leverage ratio exposure measure and capital measure will now apply to all UK banks (including the exemption of Central Bank reserves and will reflect updated international standards). These changes are reflected in our disclosures.

Subsidiaries of IBP may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

Year under review

During the year under review, Investec Bank plc complied with the capital adequacy requirements imposed on it by the PRA. IBP continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2022, the CET1 ratio increased to 12.0% from 11.8% at 31 March 2021. CET1 capital increased by £114 million to £2 billion, mainly as a result of:

- CET1 capital generation of £233 million through profit after taxation
- An increase in other comprehensive income of £15 million.

The increases were partially offset by:

- Dividends paid to ordinary shareholder and Additional Tier 1 security holder of £73 million
- An increase in foreseeable charges and dividends of £36 million
- A decrease of £12 million in our own credit reserves
- A decrease of £12 million in the IFRS 9 transitional add-back adjustment.

Risk weighted assets (RWAs) increased by 4% or £673 million to £16.5 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by a net £859 million after the settlement of our Australian loan portfolio sale in April 2021, which reduced RWAs by £590 million. The remaining increase is mainly driven by growth in private client and Asset Finance Group lending, predominately within HNW mortgages, other HNW lending and automobile loans.

On 1 January 2022, IBP implemented the new counterparty credit risk standardised approach (SA-CCR). Even with the adoption of the new counterparty credit risk methodology, RWAs (including credit valuation adjustment risk) decreased by £56 million compared to 31 March 2021, primarily driven by a reduction in the volume of commodity swaps, equity options and interest rate swaps traded during the year.

Market risk RWAs decreased by £170 million, mainly due to the run down of the financial products and equity derivative exposure book compared with 31 March 2021.

Operational risk RWAs increased by £40 million, due to an increase in the three-year average operating income used to determine the capital requirement.

CAPITAL ADEQUACY
CONTINUED

The Group's leverage ratio increased to 9.3% from 8.0% at 31 March 2021 and reflects the change in the leverage exposure measure implemented in the UK from 1 January 2022. The revised framework reflects the changes in SA-CRR and excludes qualifying central bank balances from the calculation of the leverage exposure measure.

Significant regulatory developments in the period

At the December 2021 FPC meeting, the committee indicated that vulnerabilities that can amplify economic shocks are at a standard level, as was the case just before the COVID-19 pandemic, and therefore it would be appropriate for the UK CCyB rate to return to the region of 2%. The FPC is therefore increasing the UK CCyB rate from 0% to 1% effective 13 December 2022 in line with the usual 12-month implementation period. If the UK economic recovery proceeds broadly in line with the Monetary Policy Committee's projections and absent a material change in the outlook for UK financial stability, the FPC would expect to increase the rate further to 2% in Q2 2022. This subsequent increase would be expected to take effect after the usual 12-month implementation period.

On 1 November 2021, the Financial Services Regulatory Initiatives Forum published the fourth edition of the regulatory initiatives grid. The grid aims to provide firms with a clear idea of upcoming regulatory changes. The grid confirms a delay to the consultation on Basel 3.1. The consultation has been pushed out from Q4 2021 to the second half of 2022, with implementation not expected until after March 2023. In a subsequent statement issued by the PRA on 21 March 2022, the PRA confirmed the consultation paper will be published in the fourth quarter of 2022 and the current intention is to consult on a proposal that these changes will become effective on 1 January 2025, aligning with other major jurisdiction, including the EU.

On 22 June 2021, HM Treasury confirmed the Fundamental Review of the Trading Book (FRTB) reporting requirements would be delayed and implemented alongside the FRTB revisions to the Pillar 1 capital requirements, which form part of Basel 3.1.

Pillar 3 disclosure requirement

The Pillar 3 disclosures for Investec plc and IBP are published in a standalone disclosure report and can be found on the Investec Group's website. The sub-set of pillar 3 disclosures the Bank is required to disclose are included in appendix A of this report.

Philosophy and approach

The Bank's approach to capital management utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% on a consolidated basis, and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance. The internal capital framework is based on the Group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the IBP board's risk appetite across all risks faced by the Group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the Group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the ICAAP and subsequent Supervisory Review and Evaluation Process (SREP) review.

The framework has been approved by the IBP Board and is managed by the IBP Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.

Capital planning and stress/scenario testing

A capital plan is prepared for IBP and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the IBP board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

12-month capital plans are prepared monthly, with regulatory capital being the key driver of decision-making.

The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, the three-year capital plans are stressed based on conditions most likely to cause IBP duress. The conditions are agreed by the IBP Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite. At a minimum level, each capital plan assesses the impact on our capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the IBP Capital Committee, the DLC Capital Committee and the IBP BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the IBP Board, for considering the appropriate response.

Reverse stressing testing is performed annually as part of the ICAAP process

Capital requirements country-by-country reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the Bank to publish certain additional information in respect of the year ended 31 March 2022. The Country-by-Country information can be found on the Investec Group's website.

CAPITAL ADEQUACY
CONTINUED

Capital structure

£'million	31 March 2022*	31 March 2021*
Shareholder's equity	**2 215**	**2 081**
Shareholder's equity excluding non-controlling interests	2 296	2 114
Foreseeable charges and dividends	(61)	(25)
Deconsolidation of special purpose entities	(20)	(8)
Non-controlling interests	**—**	**—**
Non-controlling interests per balance sheet	1	—
Non-controlling interests excluded for regulatory purposes	(1)	—
Regulatory adjustments to the accounting basis	**71**	**99**
Additional value adjustments	(6)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	—	12
Adjustment under IFRS 9 transitional arrangements	77	93
Deductions	**(304)**	**(312)**
Goodwill and intangible assets net of deferred taxation	(291)	(298)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(8)	(12)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(5)	(2)
Common Equity Tier 1 capital**	**1 982**	**1 868**
Additional Tier 1 instruments	250	250
Tier 1 **	**2 232**	**2 118**
Tier 2 capital**	**766**	**473**
Tier 2 instruments	766	473
Total regulatory capital**	**2 998**	**2 591**

Risk-weighted assets and capital requirements

	Risk-weighted assets**		Capital requirements**	
£'million	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	16 462	**15 789**	**1 317**	**1 263**
Credit risk	13 332	12 413	1 066	992
Equity risk	57	117	5	10
Counterparty credit risk	591	691	47	55
Credit valuation adjustment risk	103	59	8	5
Market risk	608	778	49	63
Operational risk	1 771	1 731	142	138

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 37bps (31 March 2021: 16bps) higher, on this basis.

** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

CAPITAL ADEQUACY
CONTINUED

Leverage

£'million	31 March 2022*	31 March 2021*
Total exposure measure	23 874	26 351
Tier 1 capital**	2 232	2 118
Leverage ratio^	**9.3%**	**8.0%**
Total exposure measure (fully loaded)	23 797	26 258
Tier 1 capital (fully loaded)	2 155	2 029
Leverage ratio (fully loaded)* ^**	**9.1%**	**7.7%**

Total regulatory capital flow statement

£'million	31 March 2022*	31 March 2021*
Opening Common Equity Tier 1 capital	1 868	1 819
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(73)	(28)
Profit after taxation	233	64
Foreseeable charges and dividends	(36)	(25)
Share-based payment adjustments	4	—
Movement in other comprehensive income	15	(3)
Goodwill and intangible assets (deduction net of related taxation liability)	7	17
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	4	6
Deconsolidation of special purpose entities	(12)	9
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(12)	—
IFRS 9 transitional arrangements	(16)	6
Other, including regulatory adjustments and other transitional arrangements	—	3
Closing Common Equity Tier 1 capital	**1 982**	**1 868**
Opening Additional Tier 1 capital	250	250
Closing Additional Tier 1 capital	250	250
Closing Tier 1 capital	**2 232**	**2 118**
Opening Tier 2 capital	472	533
Issued capital	348	—
Other, including regulatory adjustments and other transitional arrangements	(54)	(60)
Closing Tier 2 capital	**766**	**473**
Closing total regulatory capital	**2 998**	**2 591**

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 37bps (31 March 2021: 16bps) higher, on this basis.

** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis. In the UK, the 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a CRD IV basis.

IN THIS SECTION

Corporate Governance

CHAIR'S INTRODUCTION

Disciplined growth on a platform of resilience and sound governance

Brian Stevenson
Chair

My overviews in our previous two annual reports focused on the ways we've been strengthening and adapting our business processes. These include enhancing the ways we interact with our clients amidst the unprecedented macro-economic and societal changes the whole country (and indeed the World) experienced in 2020 and 2021. In the current financial year, we have successfully weathered these storms by virtue of our resilient business model. We have completed the implementation of our One Investec integrated client eco-system. As a result, we are well-positioned with a focus on our scale and relevance. This is underpinned and enabled by our resilient technology platform to serve our clients and deliver growth and efficiency as we all continue to emerge from the period of Brexit and COVID-19 uncertainty.

The Board believes that strong corporate governance and stakeholder engagement remains the centrepiece of successfully delivering our strategy. Set out below are some of the Bank's key corporate governance activities during the year.

Stakeholder engagement

Delivering value to our shareholders while supporting clients, colleagues and our communities continues to be a priority for the Board.

For our clients, we have completed the implementation of our client-focused One Investec strategy. Our teams of product and service specialists and business enablement functions were reorganised to facilitate deeper collaboration between our banking and wealth and investment capabilities so that we meet our clients' needs using the full breadth of our services. To further underpin this closer way of working, one of the Board's directors, Henrietta Baldock, was appointed as the Chair of the Wealth & Investment Board and also attends their Committee meetings.

Our workforce adapted commendably to the blended home and office work environment required by the pandemic period – supported by our technology platforms which have enabled us to continue to work flexibly and adapt our business processes. In the latter half of 2021, when the UK Government amended its guidance on working from home, the Board spent time considering, and continues to monitor, Investec's approach to hybrid working, having regard to client needs and the needs and desires and wellbeing of our workforce. The Board has been regularly updated on the discussions and output of various workforce wellness and wellbeing schemes and workshops, including gathering employee input on the concept of the 'future of work'. Moni Mannings remains in post as the Board's designated Non-Executive Director responsible for overseeing and updating the Board on the Bank's workforce engagement initiatives. This is described in more detail on page 127.

Details of how the Board takes account of stakeholder interests in its strategic planning and decision-making process are set out on page 22.

Succession planning and Board and committee changes

You will recall that the Board made a number of changes to its composition in 2020 and 2021 which helped us oversee the execution and oversight of the business strategy amidst turbulent market conditions.These changes also strengthened the Board's independent governance while at the same time enhancing reciprocity between the Board and its committees and the corresponding DLC forums. Indeed, it is notable that in August 2021, I was elected also as a DLC director – thereby representing the Bank at the DLC level.

Board composition has remained steady and stable throughout the year, which we believe is important given the external environment we've been addressing. However, the Board keeps its and its committees' memberships under review. There have been some enhancements precipitated by changes at the DLC level and with a view to ensuring appropriate communication and reciprocity between the Bank, DLC and Wealth & Investment Boards and committees.

In August 2021, Peregrine Crosthwaite stepped down as DLC Chair (to be replaced by Philip Hourquebie). Until this date, Philip had been the DLC representative member of the IBP Remuneration Committee. Upon the change of his DLC role, Henrietta Baldock (Chair of the DLC Remuneration Committee) was appointed as a member of the IBP Remuneration Committee instead.

As disclosed in last year's report, Henrietta Baldock was appointed as a director of the Board on 10 February 2021. As highlighted above, in September 2021, Henrietta was also appointed as Chair of the Wealth & Investment board and as Chair of the Wealth & Investment Nominations Committee. She also became a member of the Wealth & Investment Remuneration Committee and also regularly attends the Wealth & Investment Audit Committee. This ensures alignment and reciprocity between applicable matters discussed at the Bank, Wealth & Investment and DLC Boards and their committees, as well as enhancing the governance and oversight of the Wealth & Investment business on the part of the Bank Board notwithstanding that the Wealth & Investment business has independent governance arrangements.

Also as reported last year, David Friedland stepped down as an independent Non-Executive Director of Investec Bank plc in September 2020 but remains a DLC Non-Executive Director and a member of the Bank Board Risk and Capital Committee to provide reciprocity of oversight between our committee and DLC. It is notable that David is also a member of the Wealth & Investment Board Risk Committee. David is approaching the end of his nine-year tenure at DLC level in terms of the UK Governance Code and will step down from the DLC Board in August 2022. A new independent Non-Executive Director, Vanessa Olver, has been appointed to the DLC Board with effect from May 2022. Vanessa has been identified as the successor to David as Chair of DLC BRCC. The Board will keep the membership of the Bank BRCC under review in consultation with DLC in light of these changes.

CHAIR'S INTRODUCTION
CONTINUED

You will recall that in the previous year the executive team was re-organised to provide more focus around our client segments – and the Board has supported and overseen this transition to a new Executive Committee composition. The Board has also considered the span of control of the Executive Directors and reviewed successions plans for the Executive Directors and senior executive management. As a consequence, the Board intends to appoint an additional Executive Director in the latter half of 2022 to act as the Finance Director on the Bank Board, in addition to the CEO and CRO. This appointment will strengthen the executive team with a particular focus on strategic operations and finance.

Further information about these appointment processes and succession planning can be found on page 131.

Culture, belonging, inclusion, and diversity

The Investec values-led ethos has long been the bedrock of not only our client-centric approach to business, but also our culture of belonging, diversity and inclusivity. This, we believe, results in more innovative, engaged and accountable teams who can deliver better outcomes for our clients and strengthen our values-led governance and conduct culture. The Board receives regular updates on our diversity profile and management's progress in driving diverse recruitment and inclusive programmes of work across the business. More details of the approach to diversity and workforce engagement can be found on pages 27 and 127 respectively.

Environment, social and governance and climate change

The Board believes that being a responsible corporate citizen and having regard to the ethical, social, and environmental dimensions in which we operate, generates long-term sustainable stakeholder value. Climate change in itself, societal expectations of how we behave and how businesses are managed in the interests of society has been of increasing interest to stakeholders in the last two years. Similarly, ESG issues and climate change has been on the Board's agenda and we have received regular updates on the business's approach to ESG matters. More details of the business's engagement on ESG can be found in the Group's sustainability report.

Board effectiveness

A key component of governance is ensuring the Board's efficacy in exercising its responsibilities. This year the Board participated in an externally facilitated evaluation process overseen by the Nomination Committee. The findings of this review and how we are addressing our progress against these findings can be found on page 128.

Corporate Governance Code

The Board has applied the UK Corporate Governance Code 2018 for the year under review. Further details of how we applied it can be found in our statement of compliance on page 119.

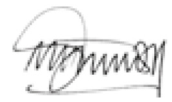
Looking ahead

The Board has overseen a period of simplification and optimisation in terms of our scale, resilience and technology. The forthcoming financial period is one of focus where the business builds on these foundations to deliver growth and efficiency. At the time of writing, there is considerable uncertainty regarding the war in Ukraine and its full economic impact. This still requires continued prudence and oversight from the Board.

Our business has adapted to the UK's departure from the European Union in early 2021. However, with no broad-based equivalency framework for UK firms having been agreed to date, the longer-term impact of this on UK financial services remains to be seen. Our business has the operational flexibility to adapt to the appropriate regulatory regime in due course and the Board will continue to assess the Bank's strategy in Europe.

There are also some common macro-economic headwinds around the world, namely supply chain and labour market conditions and commodity and energy prices. There is also the war in Ukraine, which is contributing to uncertainty. So while there is certainly growing internal confidence, and our business is adaptable and resilient, the Board will continue to assess how these broader trends affect our clients and our workforce in the longer term.

The Board will monitor these issues together with other key themes including our approach to ESG and climate risks, and adapt our risk appetite and people and technology strategies accordingly.



Brian Stevenson
Chair
21 June 2022

DIRECTOR BIOGRAPHIES

Who we are

Director biographies

Biographies of our current directors are outlined below, including their relevant skills and experience, key external appointments and any appointments to Board committees.

Committee membership key

B	IBP BRCC
N	IBP Nomination Committee
R	IBP Remuneration Committee
A	IBP Audit Committee

Gender diversity

Male	5
Female	5

Age

45-50	30.0%
51-59	40.0%
60-68	30.0%

Brian Stevenson

Chair

B N R

Appointed:
14 September 2016

Age: 68

Nationality: 

Qualifications: MBA Business administration, ACIB, FCBI

Relevant skills and experience:
Brian has substantial strategy, governance and financial services experience having held a number of senior executive roles, including previously serving as CEO and Chairman of Royal Bank of Scotland's global transaction services division, as well as various Non-Executive positions including Agricultural Bank of China (UK) Limited and Deutsche Bank Nederland NV including as Chair of Audit and Risk committees. Brian is an advisory board member of the Lysis Group and a Board mentor for Critical Eye.

External appointments
Westpac Europe Limited

Moni Mannings

Director

A N R

Appointment
27 July 2016

Age: 59

Nationality: 

Qualifications
LLB

Relevant skills and experience
Moni has extensive commercial, governance and advisory experience in finance and law having worked at Clifford Chance LLP before becoming a senior partner of Olswang LLP. She was also Chief Operating Officer at Aistemos Limited, an AI and data analytics company. Moni is the Bank's senior independent director (SID) and the designated workforce engagement Non-Executive Director.

External appointments
Hargreaves Lansdown plc,Easyjet plc and Cazoo Group Limited

Lesley Watkins

Independent Non-Executive Director

A B R

Appointment
13 November 2018

Age: 63

Nationality: 

Qualifications
BSc (Hons) Mathematics, FCA

Relevant skills and experience
Lesley has expert knowledge of audit and assurance and regulatory reporting having worked at PwC and subsequently as finance director of private equity firm, Calculus Capital Limited. She also has significant experience of governance and strategy in financial services having been a managing director at UBS and Deutsche Bank as well as having been a Non-Executive Director and audit Chair at the Competition Commission, Panmure Gordon & Co Plc, Game Digital plc and Braemar Shipping Services plc.

External appointments
Chaucer Syndicates Limited

Paul Seward

Independent Non-Executive Director

A B

Appointment
1 April 2019

Age: 66

Nationality: 

Qualifications
BSc (Hons) Mathematics

Relevant skills and experience
Paul has comprehensive experience of strategy and risk governance in financial services having held a number of senior executive roles including Chief Risk Officer HSBC UK, as well as having held a number of Non-Executive Directorships including M&S Bank, HSBC Asset Finance and HSBC Life (UK) Limited.

External appointments
Axis Bank UK Limited

DIRECTOR BIOGRAPHIES
CONTINUED

David Germain

Independent Non-Executive Director

B

Appointment
15 September 2020

Age: 46

Nationality: 

Qualifications
FBCS, CITP, FIET

Relevant skills and experience
David was appointed in 2020 due to his extensive technology, operations and transformation experience in financial services. He is currently Group Chief Information Officer for QBE Limited. He was previously Group UK & Ireland Chief Information Officer for RSA Limited where he had oversight of significant and complex IT transformation projects and has previously held a number of other roles including Head of Technology, Operations and Product at the Royal Bank of Scotland Corporate and Private Banking, COO/CAO at Deutsche Bank Capital Markets and COO at Close Brothers Retail.

External appointments
University of Cambridge, Great Ormond Street Hospital

Henrietta Baldock

Independent Non-Executive Director

Director of DLC Board and member of DLC BRCC

Appointment
10 February 2021

Age: 50

Nationality: 

Qualifications
BSc (Hons) Economics & Accounting

Relevant skills and experience:
Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as chair of the European Financial Institutions team at Bank of America Merrill Lynch, where she advised many boards in the sector on a number of significant transactions Henrietta is also a director of Hydro Industries and the Roehampton Club. In 2021, she was appointed Chair of Investec Wealth & Investment. This industry experience demonstrates her valuable strategic and transformation advisory skills.

External appointments:
Legal and General Group plc and Legal and General Assurance Society Limited

Zarina Bassa

Independent Non-Executive Director

A

Chair of DLC Audit Committee, member of DLC BRCC, DLC Nomdac, DLC Remuneration Committee and DLC Senior Independent Non-Executive Director

Appointment
1 April 2017

Age: 58

Nationality: 

Qualifications
BAcc, DipAcc, CA(SA)

Relevant skills and experience:
Zarina's previous appointments include partner of Ernst & Young, Executive Director of Absa Bank and head of Absa Private Bank, chair of the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board.She has also been a member of the Accounting Standard Board, and a non-executive director of the Financial Services Board, the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Mercedes South Africa and Vodacom South Africa Proprietary Limited, YeboYethu Limited and Woolworths Holdings Limited. This background affords significant audit and risk experience in financial leadership, and regulatory reporting skills.

External appointments: JSE Limited, Oceana Group Limited and Mediclinic International plc

Fani Titi

Executive Director, Group CE

Appointment
3 August 2011

Age: 59

Nationality: 

Qualifications
BSc Hons (cum laude), MA, MBA

Relevant skills and experience:
Fani was a founding member of the Kagiso Trust Investments Limited, and later cofounded and led the public offering of Kagiso Media Limited. He was subsequently the founding executive chair of the Tiso Group, which later merged with Kagisgo Trust Investments Limited, to form Kagiso Tiso Holdings. Fani has served on the boards of a number of listed entities, and investment companies. He also joined the Secretary General of the United Nations CE Alliance on Global Investors for Sustainable Development (GISD). Fani brings strong investment banking and commercial expertise to the board.

External appointments
None

Ruth Leas

Executive director, IBP CEO

Appointment
27 July 2016

Age: 50

Nationality: 

Qualifications
BA (cum laude), Hons (Economics), MPhil (Cantab)

Relevant skills and experience
Ruth has deep knowledge of Investec and banking having worked for the Investec group for 24 years. Ruth joined Investec in South Africa in 1998 focusing on derivative structuring and sales. She moved to Investec in London in 2002 and in 2004 was appointed co-head of US Principal Finance focusing on credit derivatives and structured credit. Ruth joined the credit team in 2008, and then became head of UK Investor Relations in 2012. She was appointed as an Executive Director of the board of IBP in 2016 whilst head of risk management before becoming chief risk officer in June 2017. Ruth was appointed as IBP CEO in November 2019. Prior to Investec, Ruth was treasury economist for Gencor SA Limited, and took up this role after winning the Gencor-Chairman's scholarship to study at Cambridge University.

External appointments
UK Finance Board and Cambridge Judge Business School Advisory Board

Kevin McKenna

Executive director, IBP CRO

Appointment
10 May 2012

Age: 55

Nationality: 

Qualifications
BCom, BAcc, CA(SA)

Relevant skills and experience
Kevin has substantial strategic, financial, operational and risk experience. He is a qualified accountant and previously worked for ING Baring's South Africa. He joined Investec as Finance Director for Investec Securities in 2000 after which he became Chief Operating Officer for the Treasury and Specialised Finance/Corporate and Investment Banking division. He moved to London in this role in 2006 before being appointed as Chief Operating Officer for IBP in 2011. He was appointed as Chief Risk Officer for the Bank in November 2019.

External appointments
None

GOVERNANCE FRAMEWORK

Investec Bank plc is a member of the Investec Group which has a dual listed company legal structure (DLC). The DLC comprises Investec plc, a public company incorporated in the UK and listed on the London Stock Exchange with a secondary listing on the Johannesburg Stock Exchange; and Investec Limited, a public company incorporated in South Africa and listed on the Johannesburg Stock Exchange, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange. Investec Bank plc is a subsidiary of Investec plc in the UK and is the Investec Group's principal operating banking subsidiary in the UK. Members of the DLC Board are appointed as members of Investec Bank plc Committees to ensure strong reciprocity of oversight between the DLC Board and its operating subsidiaries. Membership of the IBP Committees are discussed in more detail in the relevant report below.

The group of companies comprising the Investec Group's wealth management business, known as Investec Wealth & Investment, comprises a number of UK and SA subsidiaries, which in the UK are subsidiaries of Investec Bank plc. The Wealth business maintains an independent governance structure, comprising an independent Board, Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee which report to the DLC Board and the applicable DLC Board committee. The IBP Board receives regular updates from the Chief Executive of Investec Wealth.

As a listed DLC structure, the DLC has regard to international corporate governance principles, listing rules and other regulations and best practice in both the UK and South Africa and adopts governance practices which meet the highest appropriate standard applicable in either or both jurisdictions.

For non-listed UK companies, the Companies (Miscellaneous Reporting) Regulations 2018 came into force for financial periods commencing after 1 January 2019 whereby very large private companies are required to include a statement of which corporate governance code, if any, has been applied and how. As a non-listed but significant operating subsidiary of the Investec Group, similarly to the previous financial year, the Investec Bank plc Board deemed it appropriate to adopt and apply the UK Corporate Governance Code for the 2021/22 financial year. A summary statement of compliance with the various sections of this code is set out on page 119 and is described in detail throughout this governance report.

An overview of the core features of the Bank's governance framework is shown below. Details of the governance framework of the DLC can be found in the DLC 2022 integrated annual report.

Investec Bank plc Board

Our strategy page 8

Our principal risks page 52

Section 172(1) statement page 22

Board activities page 125

The Board delegates certain matters to its four principal committees

IBP Audit Committee

- Monitors the integrity of the Group's financial statements
- Evaluates the effectiveness of the Group's internal controls
- Scrutinises the activities and performance of the internal and external auditors

Read more on page 132

IBP Remuneration Committee

- Oversees the implementation of the policy for Bank directors' remuneration and setting remuneration for Bank's Executive Directors and senior management and any identified employees required by regulation

Read more on page 149

IBP Nomination Committee

- Reviews the composition of the Board
- Recommends the appointments of new directors
- Considers succession plans for the Board and senior management
- Oversees the Board effectiveness review

Read more on page 129

IBP Board Risk & Capital Committee

- Monitors and recommends the Group's risk appetite
- Monitors the Group's risk profile
- Considers and reports on key financial and non-financial risk issues

Read more on page 138

Supporting Committees

Various supporting governance committees comprising executive management and applicable functional specialists oversee discrete components of Investec Bank plc's internal control framework and report on this principally to the IBP Audit Committee and BRCC

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2018 (the code) applied to the Bank for the financial year ended 31 March 2022. The Board confirms that the Bank has complied with the principles, the application of which are evidenced throughout this report.

The table below is designed to help stakeholders evaluate how this has been achieved. The Board considers that compliance has been achieved throughout the year.

Board leadership and Company purpose

A. An effective entrepreneurial Board, which is collectively responsible for the long-term sustainable success of the Bank, ensuring due regard is paid to the interests of our stakeholders. Please refer to page 118 for the details of the Bank's governance framework, and pages 116-117 for the directors' biographies

B. Purpose, values and strategy are aligned with culture, which is promoted by the Board (read more on page 22)

C. Resources allow the Bank to meet its objectives and measure performance. A framework of controls enables assessment and management of risk (read more in Section 3 of this report)

D. Engagement with the Bank's stakeholders is effective and encourages their participation (read more on page 22)

E. Workforce policies and practices are consistent with the Investec Group's purpose and values, and overseen by the Board (read more on page 23). The workforce is able to raise matters of concern, and responsibility for whistleblowing arrangements sits with the IBP Audit Committee, as detailed on page 136.

Division of responsibilities

F. The Chair has overall responsibility for the leadership of the Board and for ensuring its effectiveness in all aspects of its operations. The Chair, Brian Stevenson, was considered to be independent on appointment. The responsibilities of the Chair are set out on page 120

G. There is a clear division of responsibilities at the head of the Company. There is a clear separation between the role of the Chair and CEO. The Board comprises an appropriate combination of Non-Executive and Executive Directors (read more on page 120)

H. Non-Executive Directors are advised of time commitments prior to appointment. The time commitments of the directors are considered by the Board on appointment, and annually thereafter. External appointments, which may affect existing time commitments, must be agreed with the Chair, and prior approval must be obtained before taking on any new external appointments.

I. The Company Secretaries and the correct policies, processes, information, time and resources support the functioning of the Board.

Composition, succession and evaluation

J. There is a procedure for Board appointments and succession plans for Board and senior management which recognise merit and promote diversity (read more on page 129)

K. There is a combination of skills, experience and knowledge across the Board and the Board Committees. Independence, tenure and membership are regularly considered (read more on page 121)

L. The annual effectiveness review of the Board and the individual directors considers overall composition, diversity, effectiveness and contribution (read more on page 127)

Audit, risks and internal controls

M. Policies and procedures have been established to ensure the independence and effectiveness of the internal and external audit functions. The board satisfies itself of the integrity of the Bank's financial and narrative statements (read more on pages 132-137)

MI. The Board presents a fair, balanced and understandable assessment of the Bank's position and prospects (read more on page 135)

O. Procedures are in place to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Bank is willing to take in order to achieve its long-term strategic objectives (read more on page 13)

Remuneration

P. The Bank is committed to offering all employees a reward package that is competitive, performance-driven and fair. Our policies are designed to support the Bank's strategy and to promote its long-term sustainable success, with executive remuneration aligned to our purpose, values and strategic delivery (read more on page 149)

Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration (read more in the Remuneration Report starting on page 149)

R. The remuneration policy seeks to ensure all remuneration decisions made by directors, fully consider the wider circumstances as appropriate, including, but not limited to, individual performance (read more in the Remuneration Report starting on page 149).

BOARD AND EXECUTIVE ROLES

The key governance roles and responsibilities of the board are outlined below:

Chair

- Leads the effective operation and governance of the Board
- Sets agendas which support efficient and balanced decision-making
- Ensures effective Board relationships and a culture that supports constructive discussion, challenge and debate
- Together with the Investec Group Chair, leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all Board members
- Oversees the evaluation of the performance of the Board collectively, Non-Executive Board members individually and contributes to the evaluation of the performance of the Executive Directors
- Ensures that the Board sets the tone from the top, in regards to culture
- Serves as the primary senior interface with regulators and the Investec Group on behalf of the Board.

Chief Executive

- Leads and manages the Bank within the authorities delegated by the Board
- Proposes and directs the delivery of strategy as agreed by the Board
- Develops and recommends business plans, policies, strategies and objectives for consideration by the Board, taking into consideration business, economic and political trends that may affect the operations of the Bank
- Ensures the Bank's culture is embedded and perpetuated across the organisation
- Develops and supports the growth of all the Bank's businesses
- Monitors and manages the day-to-day operational requirements and administration of the Group
- Manages the Bank's risk appetite.

Chief Risk Officer

- Responsible for the effective management of risk within the Bank
- Ensures that the Bank's risk management, conduct and governance processes and procedures are effective
- Provides the Board with updates on the Bank's risk management, conduct and governance processes
- Observes and manages within the Bank's risk appetite.

Senior Independent Director

- Provides a sounding board to the Chair
- Leads the Board in the assessment of the effectiveness of the chair
- Acts as a trusted intermediary for Non-Executive Directors, if required, to assist them in challenging and contributing effectively to the Board
- Addresses any concerns from shareholders and other stakeholders if they have any which are unable to be resolved through normal channels, or if contact through these channels is deemed inappropriate.

Non-Executive Director

- Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals
- Constructively challenges and contributes to assist in developing the Group's strategy
- Monitors the performance of management against their agreed strategic goals
- Oversees the effectiveness of internal controls and the integrity of financial reporting
- Reviews succession planning for the Board and management
- Oversees the risk management framework
- Oversees the remuneration of the Executive Directors and the Group's employees.

Company Secretary

- Maintains the flow of information to the Board and its committees and ensures compliance with Board procedures
- Ensures and keeps the Board updated on corporate governance developments
- Facilitates a programme for the induction and ongoing development of directors
- Provides advice, services and support to all directors as and when required.

BOARD AND EXECUTIVE ROLES CONTINUED

Board composition

Membership

At the date of this annual report, the Board comprised three Executive Directors and seven Non-Executive Directors, including the Chair. There were no changes to the composition of the Board during the year.

The names of the directors during the year and at the date of this annual report, and the dates of their appointments are set out on page 144.

The Board, with the assistance of the IBP Nomination Committee, will continue to review and monitor the composition of the Board, with particular regard to the breadth of skills, knowledge, experience and diversity of the members.

Further information regarding the Bank's approach to management and Board succession planning may be found in the IBP Nomination Committee report on page 129.

Further details in relation to the Investec Group's approach to management and board succession plan may be found in Investec Group's 2022 integrated annual report.

Independence

The Board considers the guidance set out in the UK Corporate Governance Code when considering the independence of members of the Board. Throughout the year ended 31 March 2022, the Board was compliant with the UK Corporate Governance Code in that the majority of the Board, excluding the Chair, comprised independent Non-Executive Directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge is a fundamental component of how the Board operates.

The IBP Nomination Committee, which has been delegated the responsibility of reviewing the directors' independence, considers all relevant circumstances in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the Executive Board members.

The Board, at the recommendation of the IBP Nomination Committee, believes that it functions effectively and that the Non-Executive Directors are independent of management and promote the interests of stakeholders. The proportion of Executive and Non-Executive Directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the Board's processes or have unfettered powers of decision-making.

The Board is of the view that the Chair of the Bank, Brian Stevenson, was independent on appointment. Prior to becoming the Chair, Brian Stevenson was the Senior Independent Director of the Board.

Tenure

As identified, the IBP Nomination Committee considers the guidance set out in the UK Corporate Governance Code when considering the independence of the Non-Executive Directors, and follows a thorough process of assessing independence on an annual basis for each director. The IBP Nomination Committee considers tenure when examining independence, and when discussing the composition of the Board as a whole.

The Board and the IBP Nomination Committee are mindful that there needs to be a balance resulting from the benefits brought by new independent directors, versus retaining individuals with the appropriate skills, knowledge and experience, and an understanding of the Bank's culture.

The Board's Non-Executive Directors have all served on the Board for less than nine years. Accordingly, the Board does not believe that the tenure of any of the Non-Executive Directors interferes with their independence of judgement and ability to act in the Bank's best interest.

Diversity

In considering the composition of the Board, the Board is mindful of all aspects of diversity, including gender, race and ethnicity. As a bank, we recognise that having a diverse Board is a clear benefit, bringing with it distinct and alternative viewpoints, and mindsets able to challenge the status quo. The Board is committed to ensuring that the Bank meets its governance, social and regulatory obligations regarding diversity. The Bank has a Board diversity policy and has signed the Women in Finance Charter and the Race at Work Charter setting out the targets for Board and senior management composition in terms of gender and race.

As at the date of this report, there was a 50% representation of women on the Board and four persons of colour on the Board, reflecting 40% representation. We are proud of the progress made to increase diversity and there remains a strong pipeline of diverse employees, whose progress into more senior roles, including Board roles, we will continue to strongly support. Diversity remains a focus when reviewing succession plans for the Board and senior management.

Skills, knowledge and experience

The Board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities, and the objectives of the Bank.

Induction, training and development

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

BOARD AND EXECUTIVE ROLES
CONTINUED

Terms of appointment
On appointment, Non-Executive Directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the Board Committees of which the Non- Executive Director will be a member. The Bank has a directors' and officers' liability insurance policy that insures directors against liabilities they may incur in the proper performance of their duties.

On the recommendation of the IBP Nomination Committee, Non-Executive Directors will be appointed for an expected term of nine years (three terms of three years each) from the date of their first appointment to the Board.

Independent advice
Through the Chair, the SID or the Company Secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Bank. No such advice was sought during the 2022 financial year.

Conflicts of interest
Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 (the Act). In accordance with the Act and the articles of association (the articles), the Board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The Board has adopted a procedure, as set out in the articles, that includes a requirement for directors to submit in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval. The procedure also requires notification and consideration by the Investec Group.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

Company Secretary
David Miller is the Company Secretary of the Bank. The Company Secretary is professionally qualified and has gained experience over a number of years. His services are evaluated by Board members during the annual Board effectiveness review. He is responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures. All directors have access to the advice and services of the Company Secretary whose appointment and removal is a Board matter.

03 Risk management and governance CORPORATE GOVERNANCE Investec Bank plc Annual Financial Statements 2022

BOARD COMPOSITION

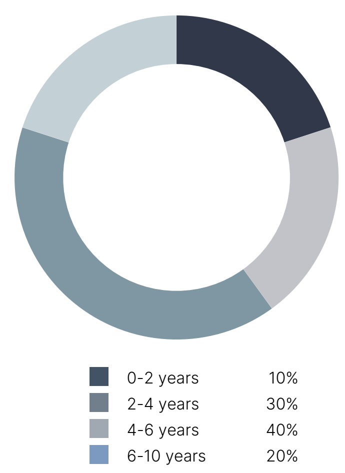
An experienced and diverse team

We have designed the composition of the Board to ensure that we have the appropriate mix of knowledge, skills, experience, independence and diversity to provide the range of perspectives, insights and challenge needed to support good decision-making in order to support the delivery of the Bank's strategic objectives.

We consider the collective skills and experience of the directors when assessing the overall composition and suitability of the Board. The current collective skills and sector experience of the Board include the following areas: banking, risk, regulatory, strategic thinking, digital and ESG. The key skills and experience of specific directors are detailed in their respective biographies on pages 116 to 117.

Further information on Board composition can be found on page 124.

Board tenure



Diversity

The Board remained focused on inclusion and diversity with the intention to set the tone and direction for the Bank as an inclusive employer, with diverse teams delivering for the benefit of all stakeholders.

The Board received updates in terms of the progress against the HM Treasury Women in Finance Charter noting that the 30% target for female representation in senior leadership roles by 2022, which was achieved in March 2022.

The gender balance of those in senior management is provided in the 2022 Investec Group's 2022 sustainability report.

The Bank is also committed to increasing the representation of Black, Asian and Minority Ethnic senior leadership. Investec is a signatory to the Race at Work Charter, the principles of which are aimed at ensuring that ethnic minority employees are represented at all levels of the organisation. The Board is proud of its progress in line with its commitments to enhance diversity and recognises the importance and benefit of increasing diversity both at a Board and all levels within the organisation.

New appointments are made on merit, taking account of the specific, skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition.

The composition of the Board can be seen in the directors' report on page 144. In terms of diversity on the board, as at the date of this report:

- 50% of the Board are female (this will increase to 55% upon the appointment of the new Finance Director, Marlé van der Walt,which is subject to regulatory approval)
- 40% of the Board are Black, Asian and Minority Ethnic

Diversity will remain an area of focus when considering any succession

Further information on the Bank's broader approach to diversity and inclusion can be found on page 27

Information on the Bank's gender pay gap reporting and ethnicity pay gap reporting can be found on page 27.

BOARD COMPOSITION
CONTINUED

Board composition as at 31 March 2022

Members	Independent	Board member since	Investec Bank plc (Six meetings in the year)[1] Attended	Eligible to attend
Brian Stevenson (Chair)	On appointment	14 Sep 2016	6	6
Ruth Leas (CEO)	Executive	27 Jul 2016	6	6
Henrietta Baldock	Yes	10 Feb 2021	6	6
Zarina Bassa	Yes	1 Apr 2017	6	6
David Germain	Yes	15 Sep 2020	5	6
Moni Mannings	Yes	27 Jul 2016	6	6
Kevin McKenna	Executive	10 May 2012	6	6
Paul Seward	Yes	1 Apr 2019	6	6
Fani Titi	Executive	3 Aug 2011	6	6
Lesley Watkins	Yes	13 Nov 2018	6	6

1. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Board. From time to time, the Board constitutes sub-committees of the Board mandated to deal with specific ad hoc matters that may arise.

Summary Board activities

	11 May	19 Jul	20 Sept	15 Nov	09 Feb	15 Mar
Strategy	●	●	●	●	●	●
Financial management and performance	●	●	●	●	●	●
Operating context	●	●	●	●	●	●
Risk and assurance	●	●	●	●	●	●
People strategy, leadership and succession	●	●	●	●	●	●
Remuneration	●	●	●	●		●
Culture and values	●		●	●		●
Operational resilience		●			●	●
Conduct		●	●	●	●	●
ESG		●	●	●	●	●

BOARD ACTIVITIES

What we did in 2021/22

The standard and regular agenda items of the Board include the CE report covering strategy and key issues and comprehensive reports pertaining to financial performance, people and workforce engagement, conduct and the performance of the Structured Products business.

2021

May

- The Board approved the financial statements for FY2021 and declared a dividend on the ordinary shares of the Bank for the financial period ended 31 March 2021
- Received an in-depth presentation on the culture framework which had been updated to reflect the Financial Conduct Authority's (FCA's) expectations, to address the gaps identified by an internal audit review and to reflect current working practices in terms of the Bank's culture reviews
- Approved the terms of reference for key management committees following a review of membership
- Received a detailed presentation on the Listed Companies client franchise which included an update on the desk's performance, strategy and any potential risks.
- Received a legal update from the General Counsel

July

- Received an update on the unrest in South Africa as a result of the ex-President, Jacob Zuma's arrest
- Received an in-depth presentation on the Bank's strategic investment in Monese which allowed for the acceleration of the Bank's transactional banking proposition
- Considered the Bank's approach to staff returning back to the office after working from home in the pandemic
- Approved the Internal Liquidity Adequacy Assessment Process (ILAAP), Individual Capital Adequacy Assessment Process (ICAAP), Contingency Funding & Recovery Plan (CFRP)
- Approved the traded market risk appetite and minor amendments to the Bank's risk appetite which had been requested by the Board
- Received a detailed presentation on the Private Equity client franchise which included an update on the desk's performance, market position, strategy and potential risks
- Considered the Bank's Europe lending strategy
- Considered the letter from the Prudential Regulation Authority (PRA) providing feedback following its periodic summary meeting.

September

- Received an in-depth presentation from the Head of People & Organisation (P&O) which included feedback from recent listening posts conducted as part of the workforce engagement process
- Approved the revised business case which was due to be submitted to the Business Competition Remedies (BCR)
- Welcomed the PRA who attended to discuss the feedback from the periodic summary meeting
- Approved the counterparty credit risk appetite
- Approved the Management Responsibility Map (MRM)
- Received a detailed update on the Investec Group's and Bank's improvements in terms of environmental, social and governance (ESG) matters over the year and its impact on the business
- Reviewed a presentation summarising the strategy for remaining exposures held by Investec Hong Kong and the actions taken
- Received an update on the Private Companies and Specialist Sectors client franchises which summarised the desk's performance, strategy and any potential risks.

November

- Received an update on the Bank's gender diversity statistics, female initiatives and the Women in Finance Charter which had been submitted in September 2021
- Reviewed the financial performance and the financial statements for the half year ended 30 September 2021 and approved the declaration of an interim dividend
- Reviewed the whistleblowing report and approved the whistleblowing policy
- Approved the client assets (CASS) attestation
- Received a summary of outcomes following the COP26 conference in Glasgow
- Received an update on the progress made so far in terms of the Finance Director appointment.
- Received a legal update including in relation to dividend arbitrage litigation.

BOARD ACTIVITIES
CONTINUED

2022

February

- Invited an external speaker, Bob Wigley, Head of UK Finance, to provide an update on technology in banking, remuneration and the future of work
- Approved risk appetite and policies
- Reviewed the progress to date on the stress testing scenario development
- Approved the Dividend Policy Statement
- Received an update on Investec Bank (Switzerland) AG and the Bank's oversight arrangements for that business.

March

- Approved the 2022/23 budget
- Approved the Money Laundering Reporting Officer (MLRO) Report
- Reviewed and approved the operational resilience self-assessment which had been reviewed in detail at a Directors' Development session and at the BRCC meeting in March
- Approved the Gender Pay Gap Report and Ethnicity Pay Gap Report
- Received an update on belonging, inclusion and diversity and a detailed People & Organisation update from the newly appointed Head of People & Organisation
- Approved liquidity risk appetite
- Welcomed Fidelio Partners, external Board evaluator and discussed the outcome of the external Board effectiveness review and proposed areas to address
- Received an update on the war in Ukraine, particularly in terms of liquidity risk, market risk and business disruption risk.

BOARD ACTIVITIES
CONTINUED

How the Board engages with our people

Our people are at the heart of our business. We aim to be an organisation that values all of its people for their contributions and celebrates who they are.

The recognition that our colleagues are vital to the delivery of the Bank's and Investec Group's strategy is reflected by the Board's extensive engagement with employees.

The Board has supported the adoption of appropriate arrangements for engaging with the Bank's workforce.

The Board will continue to monitor these arrangements to ensure that they remain effective and continue to give a meaningful understanding of the views of the workforce and to encourage dialogue between the Board and our people.

How we engage

The Bank has established a comprehensive workforce engagement programme, administered by our People & Organisation consulting teams. This programme includes various mechanisms to monitor, gain a 'felt sense of', and evaluate how people experience our culture, as well as their alignment and adherence to our system of values. These include:

- Listening posts: Regular focus groups to take the pulse of our culture and climate, including an understanding of the lived experience of all employees
- Team culture reviews: Where needed, we conduct in-depth culture reviews in teams or business units to assess the distinctive beliefs, behaviours and practices of Investec against how they are perceived by our employees
- Organisation climate reviews: Identify how an individual, specific team, department or division is functioning against the cultural norms and requirements
- Dialogue sessions: Sessions with colleagues from across the globe to discuss a specific topic. This has included dialogue on the creation of two values, evolving belonging, inclusion and diversity, and recognising the environment
- Executive communication and team check-in sessions: We frequently host international, regional and division-specific sessions where employees have an opportunity to hear from and engage with the executive
- Town halls: Provide an opportunity to share information about our strategy, growth plans, performance and results, changes to the economic and regulatory environment, and to celebrate successes, with a large audience

These engagement activities are further supported by comprehensive wellbeing programmes, belonging, inclusion and diversity focused initiatives, and social events.

What matters to our people

The key matters identified by employees included:

- The transition to hybrid working, with a particular focus on flexible working conditions and expectations around the future of work
- Belonging, inclusion and diversity, with a continued focus on building an inclusive working environment, improving representation with respect to gender and ethnicity, particularly at a senior level and within decision-making bodies, and enhancing opportunities for progression
- Fair remuneration, especially given the backdrop of rising inflation
- Wellbeing.

How we consider

As detailed in last year's annual report, and in accordance with the UK Corporate Governance Code, Moni Mannings, Senior Independent Director of Investec Bank plc and Chair of the IBP Remuneration Committee has been appointed a designated Non-Executive Director responsible for workforce engagement for the Bank.

Meetings are held on a quarterly basis between Moni Mannings for Bank and Cath Thorpe and Henrietta Baldock (the IW&I and DLC designated Non-Executive Directors for workforce engagement respectively) to consider a workforce engagement report comprising a summary of the Board's and Management's employee engagement activity, the key issues raised by employees, and the actions undertaken to address those issues.

The key items from these reports, and details of the workforce engagement activity that has taken place for all our workforce including the common issues, are provided to the Board on a six-monthly basis. Management also provide an update at each Board meeting, as to the key matters of note in respect of our people.

The themes identified through our workforce engagement activities are invaluable in informing Board decisions and discussions.

BOARD ACTIVITIES
CONTINUED

Board effectiveness

The Board's annual effectiveness review provides an opportunity for the Board to consider ways of identifying greater efficiencies, maximising strengths and highlighting potential areas of further development, to enable the Board to continue to enhance its own performance.

Internal reviews by way of questionnaires and interviews were conducted by the Chair with the assistance of the Company Secretary for the previous two financial years. In keeping with the recommendations of the Financial Reporting Council's (FRC's) UK Corporate Governance Code 2018, this year, the Board effectiveness review was externally facilitated by Fidelio Partners, an independent, external corporate governance advisory firm.

Progress Against 2020 Effectiveness Review

As reported last year, the 2020 review was an internal evaluation. Overall, the Board, its committees and each of the directors were found to be effective. The review highlighted certain areas of focus that would further improve effectiveness. These were considered by the Board, and an action plan was agreed. The principal action items identified from the 2020 review were (i) to facilitate strategy days at which the Board could focus on the strategy of the bank; and (ii) to enhance communication of matters from the Nomination Committee and Remuneration Committee to the whole Board. Work on these on items is ongoing.

2021 Board Effectiveness Review

In keeping with the recommendations of the Financial Reporting Council's (FRC's) UK Corporate Governance Code 2018, this year, the Board effectiveness review was externally facilitated by Fidelio Partners.

Below we outline the various stages of the 2021 review.

Stage 1

Fidelio Partners held in-depth one-on-one meetings each of the directors, select senior management and the Company Secretary. These interviews were based on open questions covering key aspects of governance.

Stage 2

Fidelio Partners prepared a quantitative survey, in which the directors provided feedback on the key competences and overall performance of the Board.

Stage 3

Fidelio Partners reviewed and analysed Board and Board Committee materials, including agendas, papers, minutes and terms of reference.

Stage 4

Drawing upon best practice within the sector, their extensive experience of working with Boards internationally, and their understanding and insight of stakeholder expectations, Fidelio Partners determined their key findings and recommendations.

This final report was presented to the Board in March 2022, following its consideration by the IBP Nomination Committee.

A thorough review and discussion took place, with actions agreed for implementation and monitoring.

Conclusions

The review identified that the Board, its committees and the individual directors were performing effectively.

The findings showed that the Board had a positive and constructive dynamic which was enhanced by inclusive and effective chairing. It was found that there was a good mix of relevant skills and a high level of diversity, this breadth of perspective was credited with enhancing the Board's contribution to risk and cultural oversight.

In terms of recommended enhancements the report grouped the output into two core themes relating to strategy and committee reporting.

In terms of strategy, the Bank will look to ensure that it has visibility of Group and shareholder expectations and targets for Investec Bank plc, allowing the Board to dedicate sufficient time at meetings to discussing long-term strategy and performance. Strategy sessions will be coordinated with DLC in the broader DLC strategy formulation process to ensure that the overall DLC strategic objectives and priorities are clear to the Bank Board, and the results of the sessions are fed into the DLC level strategy formulation process.

Regarding committee reporting, the visibility of discussions held at the Nomination Committee and Remuneration Committee was an area identified for improvement and was part of the action plan. The Board Risk and Capital Committee should also review reporting and refine the papers to ensure the appropriate level of detail comes to BRCC.

Committees

The Board Committees were also reviewed and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous manner in which they addressed any issues brought to their attention.

Chair

The Chair was considered to provide robust leadership for the Board, and to strengthen the link between the Executive and Non-Executive members of the Board as well as the Investec Group since his appointment to the DLC Board.

IBP NOMINATION COMMITTEE REPORT

Brian Stevenson
Chair of IBP Nomination Committee

Key achievements in 2021/22

- Considered the succession plans for the Board and senior management
- Reviewed the skills, knowledge, experience and diversity of the Board
- Coordinated and considered the external Board effectiveness review
- Considered and recommended the appointment of a Finance Director.
- Reviewed the internal and external CASS assurance reports on client money and assets

Areas of focus in 2022/23

- Consider the succession plans for the Board and senior management
- Review the composition of the Board and the principal Board Committees
- Review the skills, knowledge, experience and diversity of the Board
- Oversee the actions arising from the external Board effectiveness review.

Members	Member since	Meetings attended	Eligible to attend[1]
Brian Stevenson (Chair)	16 May 2019	6	6
Perry Crosthwaite[2]	13 Mar 2019	3	3
Philip Hourquebie[3]	5 Aug 2021	3	3
Moni Mannings	16 May 2017	6	6

1 Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.
2 Perry Crosthwaite stepped down as Chair of the Investec Group on 5 August 2021 and as such stepped down from the Committee
3 Philip Hourquebie was appointed Chair of the Investec Group on 5 August 2021 and was appointed to the Committee

Introduction
I am pleased to present the IBP Nomination Committee (the Committee) report. The role of the Committee is to have oversight of the composition and effectiveness of the Board and its key governance arrangements. Given the ongoing uncertainty and challenging macro-economic environment, ensuring a stable and effective Board was of utmost importance.

Succession planning
During the year, the Committee continued to focus on succession planning for the Board and subsidiary Boards. There was a particular focus placed on senior managers in control positions as well as client sector and international business heads and members of the newly formed Executive Committee. As the Bank moved to a strategy of growth, the Committee was focused on ensuring a balance of collective skills while also aligning to the Bank's culture and values of diversity and inclusion. The Committee also has regard to the principles of the UK Corporate Governance Code as well as recommendations made within the Parker and Hampton-Alexander Review.

The Committee considered the composition of the Board and had identified the need for additional financial experience within the executive team and agreed that the appointment of a Finance Director would be appropriate. The Committee has identified a candidate for this role who it is hoped will be appointed in 2022 subject to regulatory approvals.

Further details of the selection process for this appointment can be found on page 131

Further details on the Committee's approach to succession planning can be found on page 131.

Board effectiveness
The 2021 Board effectiveness review was facilitated externally in line with the recommended approach set out in the UK Corporate Governance Code. The Committee, in conjunction with the DLC Nominations and Directors' Affairs Committee (DLC Nomdac), agreed the appointment of Fidelio Partners, as the independent external facilitator for the review. The Committee received and discussed the report and had recommended actions to the Board.

Full details of the Board effectiveness review, including the evaluation of the Committee's effectiveness are provided on page 128.

Board diversity
The Committee remained focused on ensuring the Board considered diversity when considering composition and succession planning. The Committee also focused on ensuring diversity within the management team and challenged management on the diversity of candidates when reviewing succession plans.

IBP NOMINATION COMMITTEE REPORT
CONTINUED

Roles and responsibilities
The role of the Committee is to keep the Board's composition, skills, experience, knowledge, independence and succession arrangements under review and to ensure that appropriate procedures are in place for nominating and evaluating directors. Due regard is given to the benefits of diverse senior leadership, including diversity of thought, gender, social background and ethnicity.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Nomination Committee. The membership of the Nomination Committee of the Wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Nomination Committee.

The IW&I Nomination Committee reports to the DLC Nomdac. Any matters relevant to the Bank are communicated to the Bank, in part, through having the Chair of the DLC Nomdac, Philip Hourquebie, as a member of the IBP Nomination Committee.

The Committee reports to the Board on how it discharges its responsibilities and makes appropriate recommendations to the Board.

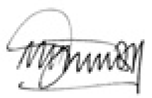
Role of the Chair
The role of the Chair of the IBP Nomination Committee requires regular meetings with the executives of the Bank, along with liaison with the Chair of the DLC Nomdac. The Chair also has interactions with internal and external specialist advisors and with Heads of People & Organisation, Compliance and Company Secretarial, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the Chair of the IBP Nomination Committee.

Committee composition, skills and experience
The Committee is composed of independent Non-Executive Directors and a Chair who was independent on appointment. The Committee welcomed Philip Hourquebie as a member, following his appointment as Chair of the Investec Group and the Chair of the DLC Nomdac. Philip's appointment as a member of the Committee supports the alignment between the Bank and its parent which strengthened further following Brian Stevenson's appointment to the Investec plc Board and DLC Nomdac. Membership is designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the Committee.

The Chief Executive is invited to attend meetings as appropriate.

Looking ahead
In 2022/23, the Committee will continue to review the composition of the Board and the Board Committees, taking into consideration the Bank's strategy, the continuing uncertainty across the UK and worldwide as well and evolving market conditions particularly as a result of COVID-19, Brexit and the invasion of Ukraine by Russia, while being mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. Below Board level there will be a continued focus on succession planning and ensuring that there are development plans in place where required as well as appropriate interaction between senior management and the Board.

The Committee will also oversee the implementation of the action plan following the external Board effectiveness review.



Brian Stevenson
Chair, IBP Nomination Committee
21 June 2022

IBP NOMINATION COMMITTEE REPORT
CONTINUED

What we did in 2021/22

Succession planning
Robust succession planning takes into account current and future business needs and ensures a good balance of skills, experience and effectiveness, while recognising the benefits of diversity.

Effective succession planning should take into account contingency planning (for any unforeseen departures or unexpected absences), medium-term planning (orderly refreshing of the Board and Board Committees) and long-term planning (looking ahead to the skills, experience and knowledge that may be required on the Board in the future).

Effective succession planning also contributes to the ability of the Bank to deliver on its strategic objectives.

In the previous year, the Committee's remit had been extended to cover succession planning and approving the appointment of non-Board senior managers who held or were proposed to hold a control function as well as Chair appointments for the Bank's principal subsidiaries. In light of this, the Committee reviewed the succession plans for below the Board senior management identifying 'step in' successors and longer-term candidates throughout the financial year. In both the short-term and longer-term plans, the curricula vitae (CVs) of the potential successors were reviewed.

The Committee also reviewed the succession plans for the subsidiary Boards and approved changes to their Boards. A number of the recent appointments had been utilised to offer development and growth opportunities to senior management. The appointments and succession planning had been considered in terms of diversity, development of our employees and the needs of the relevant Board while ensuring alignment to regulatory expectations and requirements.

Board effectiveness and training
The Committee oversees development undertaken by the Non-Executive Directors ensuring that the mandatory computer-based compliance training was completed. Directors' Development sessions were also held at least four times a year, with the Bank's parent company, to provide the Board opportunities to develop knowledge regarding the business, the market, trends and/or regulation. The Committee, in conjunction with the DLC Nomdac, drives the agenda and topics discussed. Topics during the year included:

- Capital
- Operational resilience
- Anti-money laundering and terrorist financing
- Technology/digital.

The Board effectiveness review was conducted externally, in line with the UK Corporate Governance Code. The review was conducted by Fidelio Partners, who had been chosen by a dedicated sub-committee of the DLC Nomdac and approved by the Committee and DLC Nomdac. The Committee had reviewed the draft report ahead of presentation to the Board. The Committee received comfort that the Board was considered to be effective. There were areas for improvement and the Committee will oversee the actions being taken.

Board composition
The Committee has continued to review its composition for Board and Board Committees.

The need for a Finance Director with strategic experience to join the Board, strengthening the executive skills and knowledge was identified. As a result, Green Park, an independent executive search firm, had been engaged to assist from an external recruitment perspective. The recruitment process was formal and rigorous, with consideration given to a broad range of factors such as diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and diversity of thought as merit and objective criteria as the Committee had stressed the importance that Green Park consider diversity and also international candidates as part of their search for potential candidates. Green Park was engaged to assist in the search for candidates as it had no other connection with the Company.

The Committee will oversee the candidate's induction and development needs in due course.

Board suitability
In order to provide assurance that the composition of the Board was appropriate and in line with internal procedures and regulatory guidance, the suitability assessment of the Non-Executive Directors was conducted in March 2021, with the Committee reviewing the feedback in the financial year. Meetings were held covering topics including but not limited to skills, independence and the operation of governance committees.

There were no matters of concern raised and the Committee was satisfied that all Non-Executive Directors remained independent in character and judgement. There were certain areas identified for the Board and relevant committees to focus on to better enhance debate and consideration of the Bank's strategy and performance including updates on employee engagement, and ensuring succession remain an area of focus for the Committee. The review provided the Committee with assurance that the composition of the Board was appropriate for the Bank to support the Bank's strategy.

The Committee also reviewed the process and documentation that had been drafted to assist the Committee with the assessment of individual and collective suitability and the assessment of suitability prior to appointment.

IBP AUDIT COMMITTEE REPORT

Lesley Watkins
Chair of the IBP Audit Committee

Key achievements in 2021/22

- Reviewed macro-economic assumptions and stress test scenarios and their impact on credit model expected credit loss (ECL) forecasts as COVID-19 support was withdrawn and in light of the economic uncertainty arising from the war in Ukraine
- Reviewed the valuation of fair value movements with higher risk characteristics including Structured Products and associated costs
- Assessed whether internal audit and compliance monitoring plans were risk-focused, flexible and responsive to the COVID-19 situation, particularly for overseas operations
- Assessed the internal control environment having regard to hybrid working by employees
- Considered the Bank's reporting disclosures in relation to climate change
- Assessed the need for any changes to contingent liabilities in relation to uncertain tax issues and legal proceedings

Areas of focus in 2022/23

- Monitor ECL forecasts in light of continuing COVID-19 disruption and geo-political upheaval
- Continue to assess the internal control environment having regard to flexible working by employees and changes arising from business developments
- Continue to consider the accounting and disclosure implications, if any, of emerging ESG and climate change themes
- Continue to assess the appropriateness of the accounting disclosures for historic dividend arbitrage transactions
- Monitor the effectiveness of moving to a globally aligned internal audit model and the increased use of data analytics
- Consider changes to requirements arising from outcome of the government consultation to restore trust in audit and corporate governance.

Meetings held in 2021/22

Members	Member since	Eligible to attend[1]	Attended
Lesley Watkins (Chair)	13 Nov 2018	6	6
Zarina Bassa	1 Apr 2017	6	6
Moni Mannings	2 Jul 2017	6	4
Paul Seward	1 Apr 2019	6	6

1. Includes a combined audit and BRCC meeting and single-topic Audit Committee meeting as well as the usual Audit Committee held on 5 November 2021 (for the purposes of attendance in the table above these have been treated as one meeting)
2. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Introduction

I am pleased to present you with the report of the IBP Audit Committee (the Committee) for the financial year ended 31 March 2022.

In the UK, the COVID-19 era has ostensibly been put behind us. The UK Government has removed all social restrictions and businesses have been permitted to fully re-open. However, although the UK is normalizing, large parts of the world (particularly Asia) remain under some form of COVID-19 protocols, and most major economies are facing strong inflationary pressure and tight labour markets. The pace and extent of recovery cannot be expected to be symmetrical across all sectors of the global economy, with some – for example leisure and tourism – having suffered more than others in the protracted global shutdown. Consequently, it may be some time before all COVID-19 related credit risks have shaken out of the global economy. More recently there has been the emergence of geo-political turmoil in Eastern Europe. The path of this conflict and the wider impact on the macro-economic outlook is uncertain.

In light of the risk profile articulated above, a key focus for the committee has been in-depth consideration of assumptions, key accounting judgements and impairment assessments in light of revised credit model output and valuation assessments.

Similarly to the previous year, given how the unprecedented levels of government COVID-19 support has resulted in the de-coupling of the traditional relationship between macro-economic factors and credit models, the Committee has devoted significant time to assessing management's estimates of the appropriate ECL assumptions for the Bank's lending portfolios and the appropriateness of COVID-19 ECL overlays and other judgemental items in the financial statements, including management's assessment of valuations for the Bank's principal investments and mark-to-market and hedged positions.

Further details of the key accounting issues considered by the Committee are set out on the following pages.

Internal control environment

As a result of the Bank's well-developed internal control framework, the rapid and widespread transition to the workforce working at home required in the prior period proved to be well-controlled. Following the relaxation of social restrictions Investec has introduced a hybrid/flexible approach to the return to office which has seen the workforce in large parts returning to the office but combined with a significant proportion of the workforce working at home at any given time. This has required continued robust oversight from the Committee, of this hybrid model and accordingly the Committee has reviewed the output of the internal audit and compliance monitoring plans and received updates from management's Risk & Control Forum.

Further details of the internal control issues considered by the Committee during the year are set out on the following pages.

Looking ahead

The Committee will continue to assess the key issues driving the economy as COVID-19 continues to recede into the distance having regard to the fact that we may feel the macro-economic aftershocks for some time to come. The Committee will also monitor the war in Ukraine in terms of its impact on our clients and the wider global economy. This will require us to monitor the recovery of the economy and the implications of this on accounting and disclosure requirements.

Hybrid-flexible working looks set to continue and become the de facto work-life model for many businesses. The Committee will continue to assess adequacy of the internal audit and compliance monitoring plans to ensure adequate oversight of the control environment.

Climate change and other environmental, social and governance issues continue to be an area of major focus for Investec and for our clients, investors and regulators. The Committee will continue to ensure that the Bank meets its reporting requirements on these topics.

In May 2022, Government published its response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems. The Committee will take into account changes to regulations, particularly when the Investec Group conducts the external audit tender.

Lesley Watkins
Chair
21 June 2022

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters

Significant matters are those matters in the view of the IBP Audit Committee that:

- Required significant focus from the Committee
- Were considered to be significant or material in nature requiring exercise of judgement
- In relation to the 2022 annual report and financial statements were otherwise considered to be subjective from an accounting or auditing perspective.

Significant matters relating to the 2022 financial statements	What we did
Expected credit loss (ECL) assessment The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 and geo-political turmoil and the resultant economic impacts in the geographies in which the business operates have resulted in additional key judgements and assumptions being made during the current year.	• Reviewed the appropriateness of the forward-looking macro-economic scenarios and assumptions (including the probability weights applied to each scenario and the sensitivity of each) used in credit models and the impact of these on forecast ECL. • Evaluated the appropriateness of and methodology for management's proposed overlay to capture model limitations and the uncertainty arising from the impact of COVID-19 and the withdrawal of government support as well as the Russian invasion of Ukraine. • Challenged the level of ECL and the assumptions used to calculate the ECL provisions held • Assessed ECL experienced against forecasts, and considered whether the level of ECL was appropriate. Particular focus was given to exposures which were specifically affected by the negative macro-economic environment • Considered management's peer review, and a benchmarking assessment, of ECLs, the overlay, and Stage 1 and 2 credit impairment coverage ratios compared to other UK banks which found that that the Bank's coverage ratios were within the benchmarking range • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS.
Valuation of fair value instruments with higher risk characteristics and associated income For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, and structured products there is a large degree of subjectivity and judgement surrounding the inputs to the valuations.	• Received reports on the material investments 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 • Received reports on and considered the valuation of financial instruments with higher risk characteristics • Challenged and debated significant subjective exposures and assumptions including: – the valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans – fair value of exposures in industries affected by COVID-19 and the Russia-Ukraine war – the appropriateness of the IFRS 13 disclosures on fair value – any initial impact of the war in Ukraine on exposures.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters relating to the 2022 financial statements (continued)	What we did
Uncertain tax and other legal matters Considered potential legal and uncertain tax matters and contingent liabilities 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 • Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax positions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the IAS 37 accounting treatment, the scenarios and sensitivities, and the overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment. • Considered Post Balance Sheet Events (PBSE) 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 45 Contingent Liabilities and legal matters for further information.
Going Concern & Viability Statement	• Considered the Group's profitability, board approved budgets and capital plans through to March 2025, liquidity, operational risk and contingent liabilities. Particular account was taken of the impact rising inflation, the continuing Russia-Ukraine War, and the impact of legal proceedings if any as well as the reverse stress testing conducted • Following confirmation from the IBP BRCC, recommended the approval of the going concern and the Group viability statement assumptions underlying the financial statements to the IBP Board for approval.
External Audit The performance and the work of the Group's external auditors, Ernst & Young (EY).	• Managed the Bank's relationship with the external auditor • Met with key members of the EY audit team to discuss and then approve the 2021/2022 audit plan and agree key areas of focus • Assessed regular reports from EY on the progress of the 2021/2022 audit and any material accounting and control issues identified • Discussed EY's feedback on the Bank's critical accounting estimates and judgements • Discussed EY's report on certain control areas including IT and the control environment ahead of the 2022 financial year end • Assessed the performance, independence and objectivity of the external auditors.
Fair, balanced and understandable reporting The Bank is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the Bank's position and performance, business model and strategy.	• Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth, critical review of the annual financial statements including the accounting policies used and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Concluded that the processes underlying the preparation of the annual report and financial statements for the year ended 31 March 2022 were appropriate in ensuring that those statements were fair, balanced and understandable • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary audit differences • Recommended to the Board that the 2022 annual report and financial statements were fair, balanced and understandable • Considered in particular the disclosures relating to climate change.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Other significant matters	What we did
Internal controls & the business control environment The effectiveness of the overall control environment and the control environment of individual business units and functions, and the progress of any remediation plans for management to address items arising from the internal and external audits or compliance monitoring.	• Received regular reports from the IBP Risk and Controls Forum and the Heads of Compliance and Internal Audit on IBP and subsidiaries within the committee's terms of reference. Based on this reporting, evaluated the impact of evolving risk, including operational risk, on the internal control environment, including IT • Evaluated and tracked the status of material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed timeframes. Particular attention was paid to the effectiveness of IT general controls and controls impacting financial reporting as well as IT and cyber security risk management and governance • Evaluated reports on the internal control environment from the internal and external auditors • Assessed reports on individual businesses and functions on their control environment, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management, and scrutinised action plans following internal audit findings • Requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation. • Reviewed and approved the compliance monitoring plan and received regular updates • Reviewed the internal and external CASS assurance reports on client money and assets
Internal audit The performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, and the methodology and coverage of the internal audit plan.	• Agreed the internal audit plan taking into account the risk assessment, methodology and resourcing • Received regular reports from internal audit of all significant issues identified by them • Monitored the delivery of the agreed plan • Tracked the levels of high and moderate risk findings and monitored the related remediation plans • Met with the Head of Internal Audit without management being present to discuss any issues arising • Monitored the skill set, independence and objectivity of internal audit and considered succession and resource planning • Reviewed and approved the internal audit charter • Received an opinion from internal audit on the effectiveness of the internal controls and the risk management framework as part of the year-end sign off process • Reviewed the move to a globally aligned internal audit function and the greater use of data analytics.
Whistleblowing The adequacy of the bank's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases.	• Received and considered reports from management on the Bank's whistleblowing arrangements • Reviewed the reports to ensure that there were arrangements in place which colleagues could use in confidence to report concerns about inappropriate and unacceptable practices, and that there was proportionate and independent investigation of such matters or appropriate follow-up • Considered the independence and effectiveness of the Bank's policies and procedures on whistleblowing.

IBP AUDIT COMMITTEE REPORT
CONTINUED

How the Audit Committee works
The IBP Audit Committee's principal responsibilities are to:

- Monitor the integrity of the Bank's financial reporting and scrutinise and satisfy itself, having regard to any issues raised by the external auditor, as to the appropriateness of management's accounting policies and practices, and that any significant financial judgements, assumptions or estimates made and the disclosures recommended by management are appropriate, and assess whether overall the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the Bank's position and performance, business model and strategy
- Review the effectiveness of the Bank's internal controls, including internal financial controls
- Scrutinise the activities and the performance of the internal and external auditors (including monitoring their independence and objectivity)
- Oversee the relationship with the Bank's external auditor
- Review and monitor the effectiveness of the Bank's whistleblowing policies and procedures.

Composition, meeting attendance, and interaction with Investec Group
All members of the Committee are independent Non-Executive Directors in accordance with the UK Corporate Governance Code 2018. The Committee includes members who have recent and relevant financial experience and as a whole have competence relevant to the sectors in which the group operates.

The CE of the Bank attends meetings on a regular basis but is not a member. Other Bank directors may also attend by invitation. The Head of Risk, Head of Internal Audit, Head of Compliance, Head of Finance, the external auditor, Group Company Secretaries, and Head of Tax also attend meetings on a regular basis.

The Committee meets alone with the external auditor and, separately, with the Head of Internal Audit. Committee members also meet periodically with management and the heads of internal audit, compliance, operational and IT risk, and finance as well as the lead external audit partner and senior management in order to keep knowledge up to date, and to keep abreast of commercial developments and challenges facing the business.

The Chair of the Committee is also a member of the IBP BRCC and, similarly, the chair of IBP BRCC, Paul Seward, is a member of this Committee. This reciprocity of membership helps to ensure interaction between these two committees and a coordinated consideration of the Bank's risks and internal controls where they overlap in relation to both financial risks and non-financial risks, which reflects the holistic oversight of risk at Board level.

The Committee reports formally to the Board. The chair of the DLC audit committee, Zarina Bassa, is a member of this Committee which reflects the dual listed structure of the Investec Group in which Investec Bank plc is the principal banking subsidiary in the UK and the parent company of other material overseas subsidiaries. This representation of the Investec Group audit committees ensures that key audit matters for Bank and its subsidiaries are visible at the Investec Group level, and likewise key audit matters and matters of mutual interest for the Investec Group and Investec Bank plc are communicated and addressed, where applicable, in the Bank and its subsidiaries. As an example, the IBP Audit Committee worked together with the Investec Group Audit Committees when assessing proposals for internal audit to move to a globally aligned audit function and the greater use of analytics in the audit methodology.

Investec Wealth & Investment, a subsidiary of Investec Bank plc and separately regulated by the FCA, maintains an independent governance structure comprising an independent Board and Audit Committee. The membership of the Wealth & Investment Audit Committee comprises independent non-executive directors. Matters relating to Wealth & Investment do not fall within the remit of the IBP Audit Committee. The Wealth & Investment Audit Committee matters are reported to the DLC Audit Committee. Any matters relevant to the Bank are communicated through the mechanism of having the chair of the DLC Audit Committee as a member of the IBP Audit Committee.

External audit
Ernst & Young (EY) were appointed as the Bank's auditor in 1996. It is anticipated that a competitive tender process will be carried out in 2022 to rotate for the financial year commencing 1 April 2024. Further information regarding the tender of the Investec Group and the Bank's external auditors may be found in the Investec Group's 2022 integrated annual report along with the Investec Group's information on the effectiveness, objectivity and independence of EY as auditor of the wider Investec Group.

The Committee continuously assesses the effectiveness, objectivity and independence of the external auditors at formal Committee meetings, during private meetings with EY and through discussions with key executive stakeholders. The Committee considers the relationship with the auditor to be working well and remains satisfied with their effectiveness. The Committee monitors whether the level of non-audit fees could impact the independence of the auditors having regard to the nature of the services rendered and the fees paid as a proportion of the overall audit fee. The Committee is satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of EY.

Accordingly, having considered the effectiveness, independence and objectivity of the auditor, the Committee recommends that EY continue as auditor for the following financial year.

Further details in regards to the audit fees paid to the external auditors for the financial year ended 31 March 2022 may be found in the financial statements on page 204 and details of non-audit services provided to the Investec Group may be found in Investec Group's 2022 integrated annual report.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT

Paul Seward
Chair of IBP BRCC

Key achievements in 2021/22

- Focused on the economic and financial risk exacerbated by COVID-19 and ongoing economic uncertainty. In particular, ensuring that expected credit losses were adequate and the quality within the credit portfolio did not deteriorate
- Monitored the run-down of the Structured Products book, including the effectiveness of the downside protection macro-hedge and the management of the residual risk and actions taken to de-risk the book and reduce losses
- Reviewed the enhanced management of the financial risks arising from climate change and other risks arising from ESG issues, including the review of stress test scenarios and progress in calculating Scope 3 emissions
- Focused on non-financial risk, in particular,fraud risk, IT and cybersecurity, operational resilience and people risk
- Monitored the core loan growth from the perspective of credit underwriting standards, capital requirements and the ability to fund growth.

Areas of focus in 2022/23

- Monitor the potential risks that could arise as the Bank focuses on growth and its digital retail strategy
- Monitor people risk and it remains heightened, ensuring that there is adequate resourcing to maintain the control environment
- Further enhancement of the management of the financial risks arising from climate change and other risks arising from ESG issues
- Monitor regulatory developments
- Monitor the progress and actions taken to improve the Bank's operational resilience and address the weaknesses identified within the self-assessment
- Monitor the implementation of the Advanced Internal Ratings-Based (AIRB) approach (which is in its early stages)
- Closely monitor the macro-economic environment including, but not limited to, the inflationary pressures, geo-political tensions and supply chain issues and the potential risks and impact on the Bank.

Members	Member since	Attended	Eligible to attend[1]
Paul Seward (Chair)	1 Apr 2019	10	10
David Friedland	18 Jan 2019	10	10
David Germain	5 Nov 2020	9	10
Brian Stevenson	8 Mar 2019	9	10
Lesley Watkins	18 Jan 2019	10	10

1. Includes one combined Audit and BRCC meeting held on 5 November 2021.
2. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT CONTINUED

Introduction

I am pleased to present the report on how the IBP BRCC (the Committee) has discharged its responsibilities throughout the financial year ended 31 March 2022.

The past year continued to be impacted by COVID-19 and while there is now optimism that the worst of the pandemic is behind us with restrictions having ended and the economy re-opening, there continues to be ongoing uncertainty both within the UK economy and worldwide. Despite the risks presented by COVID-19, Brexit and geo-political tensions including the war in Ukraine, the Committee was satisfied that the Bank's risk culture and control environment had remained strong and the Bank was in a good position to deal with the risks faced by the business.

Throughout the financial year, enhancements to reporting, particularly in relation to non-financial risk reporting including IT and cyber risk, projects, operational risk and fraud risk had enabled the Committee to strengthen the independent oversight of the Bank's risk management framework. The Committee continues to consider both current and forward-looking risks across all key areas of risk management and provides guidance to mitigate any negative impacts.

The main objectives of the Committee are to have oversight of the risk management framework of the Bank and to assist the Board in its responsibility to ensure that the Bank maintains effective systems and processes for the management and control of risk exposures.

The major focus areas for the Committee had been the monitoring of risks, in particular, liquidity, market risk, credit quality, fraud and IT risks as the impact of the COVID-19 pandemic and the change in risks as a result of Brexit had continued to impact clients, employees, the Bank and the global and UK economy throughout the financial year. Based on previous losses experienced within the Structured Products book, the Committee had reviewed market risk limits and the active de-risking of the business where appropriate, assessing whether any similar impact could be experienced within other parts of the business. Although the Structured Products book is in run-down and losses had been immaterial, it remained an area of focus to ensure that the book was appropriately managed, reducing costs and losses where possible, with support provided for de-risking actions taken. An independent third party review of the book and its management had been conducted which provided assurance to the Committee.

The Committee reviewed and challenged the appropriateness of the funding mix of the Bank and the changing business model. The Bank's liquidity and capital was closely monitored and continued to be managed conservatively in the event any further impact of COVID-19 was felt, and in light of the market volatility arising due to the war in Ukraine. The liquidity and capital metrics continued to far exceed regulatory and internal minimums. Regular stress testing (which includes reverse stress testing) was conducted given market uncertainty and the assumptions were challenged. The stress testing also extended to climate change utilising the Bank of England's Climate Biennial Exploratory Scenario (CBES) scenario, with the initial focus being on the Energy and Real Estate portfolios. The Committee continued its practice of extensively reviewing the benchmarking exercises undertaken by management to seek comfort in terms of ECLs, the COVID-19 ECL overlay and management ECL overlay, credit loss ratio and coverage ratios for assets.

The operational resilience of the Bank continued to be an area of focus particularly as the Bank prepared for the new Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulation on operational resilience.

Given the market-wide increase in fraud risk, including the rise in authorised push payment fraud and investment scams, the Committee had spent time reviewing controls and enhancements both for the Bank and clients had become particularly important given the retail migration strategy from analogue to digital, regulation and losses experienced. The Committee critically reviewed the oversight of financial crime for the Bank and its subsidiaries, challenging the Money Laundering Reporting Officer (MLRO) report and the progress with implementing the new transaction monitoring system.

IT and Cyber Risk reporting had also improved significantly, and a deep dive had been presented by the IT Security team which provided an overview of the key controls, areas for improvement and key highlights from the cyber simulation that had been conducted. People risk had become a key area of focus as the Bank evolved to hybrid working as well as the increased risk around talent retention and attrition particularly relating to technology resourcing. This was an area for close monitoring which was being undertaken at Committee and Board level, however, was recognised to be an increasing risk industry-wide. The Committee had also received in-depth reporting on projects, predominantly focusing on regulatory projects including the IBOR transition, the implementation of the non-traded market risk (NTMR) regulation and operational resilience.

The Committee continued to challenge and guide management in strengthening the key risk documents including the risk appetite statements (RAS), the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the contingency funding plan and recovery plan (CFRP).

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Role of the Committee
The role of the Committee is to review, on behalf of the Board, the range of risks facing the business. The Committee performs this function by considering the risk reports presented and questions whether existing actions taken by management are appropriate.

The Committee is an essential part of the Bank's governance framework to which the Board has delegated the overseeing of the Bank's risk framework to ensure that the framework is appropriate to the size, scale and nature of the Bank's activities for the purposes of effectively managing the material risks to which the Bank is exposed. The Committee is the most senior Risk Management Committee of the Bank.

The Committee has to ensure that all risks are identified and properly mitigated and managed. The Committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the Bank's risk exposures.

The Committee reports to the Board on how it discharges its responsibilities and makes appropriate recommendations to the Board.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Board Risk Committee. The membership of the Board Risk Committee of the Wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Board Risk and Capital Committee.

The IW&I Board Risk Committee reports to the DLC BRCC. Any matters relevant to the Bank are communicated to the Bank, in part, through having the Chair of the DLC BRCC, David Friedland, as a member of the IBP BRCC.

Role of the Chair
The role of the Chair of the IBP Board Risk and Capital Committee requires regular meetings with the executives of the Bank, along with liaison with the Chair of the DLC BRCC. The Chair also has interactions with the risk functions, Compliance and Head of IT, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the Chair of the IBP Board Risk and Capital Committee.

Composition
The Committee is composed solely of independent Non-Executive Directors, with membership designed to provide the breadth of risk expertise and commercial acumen it needs to fulfil its responsibilities. The Chair of the DLC BRCC is a member of the Committee to ensure the interconnection between the Bank and its parent.

Looking ahead
The Committee will continue to monitor overall levels of risk within the business as a result of the Bank's growth strategy as well as macro-economic factors such as geo-political tensions including the war in Ukraine, inflationary pressures on consumers and businesses, and supply chain disruption following COVID-19 and Brexit. Monitoring will also cover the regulatory changes as a result of Brexit. The Committee will continue to review risks arising out of the Bank's retail and overall funding strategies. The Committee will also monitor the risks emanating from the Structured Products business while the book continues to be managed down and the residual risks are reduced.

The Committee recognises that while ESG factors had been embedded within business as usual processes, there is further work and improvements required. There will be a focus in developing the Bank's ESG approach with quantitative key performance indicators for ESG and climate risk, monitoring data and improving reporting of the risk.

In terms of non-financial risks, people risk will continue to be an area of focus as well as the effective management of cyber risks, fraud risk and operational risk. Operational resilience will also be closely monitored as while the regulations were to be implemented by 31 March 2022 there is a three-year transition period to address any weaknesses. There will be enhanced oversight of material regulatory projects, including the process of migrating from the standardised approach to the Internal Ratings Based (IRB) approach, which is in its early stages within the Bank and, finally, improving risk management and its reporting.

Paul Seward
Chair, IBP BRCC
21 June 2022

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

COMMITTEE ACTIVITIES

Area of focus	Conclusions and Actions
COVID-19 Management of the risk in order to support the Bank's stakeholders throughout the COVID-19 pandemic and ongoing economic impact	• Continued to review and challenge management actions to address the risks ensuring that there was surplus liquidity and capital buffers in place to manage the possible negative impact • Monitored the exposures subject to the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS). The Committee reviewed the external report summarising the findings of the Bank's controls in relation to the government schemes. The Committee reviewed whether there had been any fraudulent applications / issues given the losses reported by the government, particularly relating to BBLS and CBILS. The Committee were comfortable that the repayments under the government schemes were happening in a timely manner • Closely assessed the impact on the Bank's ECLs, with a review of the provision, in conjunction with the Audit Committee, to ensure that it was appropriate, taking into account the economic outlook and scenarios. Benchmarking by management had been conducted to provide assurance that the level of ECL and credit loss ratio remained within the range of other UK banks • The Committee were comfortable that whilst the credit loss ratio was low and ECLs had not been experienced as forecast, it was prudent to maintain the overlays especially given the end of the government schemes and the staggered reopening of the economy as certain restrictions had impacted businesses which was a similar approach to Bank's peers • Any potential or actual fraud losses were examined by the Committee as fraud risk remained heightened throughout the industry as a result of COVID-19 • The Committee closely monitored people risk and the risks arising as a result of the prolonged nature of the pandemic with the impact being on wellbeing of employees and resourcing as well as the market-wide challenges in terms of talent attraction and retention.
Structured Products Close monitoring of the Structured Products book as the risk was being managed down following the significant impact that the unprecedented market dislocation and cancellation of dividends had caused in 2020 and the associated risks.	• Received and challenged the in-depth reporting on the risk management of the exposure to capital-at-risk products including the results of stress testing • Focused on management's continued progress in de-risking the book which included, but was not limited to, the effectiveness of the macro hedge in place to provide downside protection for the FTSE, Eurostoxx and S&P at certain levels, the unwinding of over-the-counter (OTC) interbank trades and monitored the forecasts of the book's performance and run-off profile • Reviewed the findings of the independent review of the Structured Products book and monitored the implementation of the improvements to risk management techniques, tools and risk measurements.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Area of focus	Conclusions and Actions
Financial risk management of the Bank Consideration of the key risk documents and processes to ensure that they were appropriate and effective to manage the material risks faced by the Bank.	• Reviewed and challenged the key risk documents, including the ILAAP, ICAAP and CFRP, ahead of final approval, with particular challenge in relation to the stress testing and reverse stress testing scenario included in the ILAAP to ensure that the scenarios were severe enough and provided sufficient detail • Reviewed and supported the ongoing efforts to de-risk the business areas subject to market risk and challenged the changes to the traded market risk appetite which had been proposed to be more conservative as well as to better reflect the risks • Closely monitored the credit book with detailed presentations being received on the top non-performing exposures and the overall performance of the book as well as the mortgage book given the growth in this portfolio over the last 18 months • The Committee received an in-depth presentation from the Bank Funding Group which detailed the transition in the funding mix which was being undertaken in order to maintain diversity of funding, reduce costs and ensure adequate liquidity. The Committee also reviewed the risks of the migration of the liability channels from analogue to digital, the changing business model and the risks presented with the strategic partnership between the Bank and Monese as well as other partnerships with fintech's and financial institutions to ensure clients and the Bank were protected • Reviewed the risk appetite, challenging the categorisation of important business services which drive the appetite for business disruption. The Committee noted that there had been improvements in terms of monitoring ESG exposures and the ongoing work to calculate the Bank's Scope 3 emissions and integrating ESG risk into business as usual processes • Further enhanced the review and focus on emerging risks and the mitigation thereof which included both internal and external risks • Reviewed in-depth the impact of the war in Ukraine on the Bank and received assurance that there was no material direct or indirect exposures to Ukraine or Russia. Close monitoring in particular relating to financial crime and IT and cyber risk was ongoing • Received a detailed update on the unrest in South Africa as a result of the ex-President, Jacob Zuma's arrest, the impact on Investec Bank Limited and the Investec Group, from a financial perspective and also from an employee and client wellbeing perspective as well as any potential risks presented to the Bank.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Area of focus	Conclusions and Actions
Non-financial risk management of the Bank Consideration of the key controls and processes to ensure that they were appropriate and effective to manage the material non-financial risks faced by the Bank.	• There had been an enhanced focus on IT and cyber risk with a deep dive into the Group's security, the results of denial-of-service (DDoS) simulations and the maturity of controls within the Bank • The committee reviewed the financial crime controls and systems used, tracking the implementation of the new transaction monitoring system, with a particular focus as a result of the sanctions and risks arising from the war in Ukraine. There was also attention given to the Bank's subsidiary in Guernsey given the new regulation implemented by the Guernsey Financial Services Commission and the thematic reviews that were being undertaken by the regulators in Jersey and Guernsey within the industry • The Committee challenged the controls in place regarding fraud and a detailed paper was presented providing assurance that the risk was being managed effectively. Losses remained low and within risk appetite and the controls as well as the third party systems utilised assisted in managing the risk effectively • Closely monitored operational risk losses and events to gain assurance that there were no trends or issues within the control environment. The Committee reviewed the operational risk scenarios considered for inclusion in the ICAAP and challenged the gaps and remedial work required to ensure compliance with the Basel Committee on Banking Supervision's updated principles for the sound management of operational risks • Received regular updates on regulatory projects including the discontinuation of LIBOR and transition to risk-free rates and the implementation of the non-traded market risk (NTMR) regulation. In terms of the operational resilience regulations, the Committee challenged the Bank's impact tolerances for important business services as well as providing input on the Bank's self-assessment. This assisted in the Committee gaining comfort on the Bank's resilience particularly given the Bank's reliance on third parties and outsourcing arrangements • Reviewed any regulatory breaches and actions taken to mitigate breaches from occurring. The Committee were kept abreast of any relevant regulatory guidance, fines or new regulations. • The chair of the committee and DLC representative member (David Friednland) both attended DLC IT Risk and Governance Committee meetings to provide enhanced oversight of IT risk

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 31 March 2022.

The Company has chosen, in accordance with section 414C(11) of the UK Companies Act, to include certain matters in its strategic report which is incorporated into this report by reference as follows:

- An indication of likely future developments in the business of the Company and its subsidiaries, see page 8
- Our risk management objectives and policies in relation to the use of financial instruments, see page 48
- A statement as to material events since 31 March 2022, see page 283
- Approach to diversity includes employment of disabled persons, page 22, and more detail can be found in the Investec Group Sustainability Report which will be made available on the Investec website by the end of June 2022
- Stakeholder engagement (including employees and others), page 22
- Details of charitable activities including any donations, page 22
- Statement of corporate governance arrangements, page 113

Results and dividends

The results for the year are shown on page 32. Movements in reserves are shown in the reconciliation of equity on page 184 of the financial statements. An interim dividend of £32.5 million was paid on 26 November 2021. On 16 May 2022, the Board declared that a dividend for the period ended 31 March 2022, of £60 million be paid on 8 June 2022.

Directors

The names of the persons who were directors during the financial year are set out in the table below. Biographical details of directors appointed as at the date of this report are set out on page 116.

Henrietta Baldock
Zarina Bassa
David Germain
Ruth Leas
Moni Mannings
Kevin McKenna
Paul Seward
Brian Stevenson
Fani Titi
Lesley Watkins

Independent auditor and audit information

Ernst & Young LLP have indicated their willingness to continue in office as auditors. A resolution proposing their re-appointment as auditors will be submitted to the annual general meeting.

Each person who is a director at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Going Concern statement

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the Bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance that are set out in the Strategic Report. The Directors have performed a robust assessment of the Bank's financial forecasts across a range of scenarios over a 12 month period from the date the financial statements are authorised for issue. The assessment specifically incorporated analysis of the macroeconomic environment caused by the COVID-19 pandemic and the Russian-Ukraine war on the Bank's projected performance, capital, liquidity and funding positions, including the impact of scheduled repayment of borrowings and other liabilities. Based on these, the Directors confirm that they have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, which was adopted by Investec Bank plc as the corporate governance code of the Bank, in addition to providing a going concern statement, the Board is required to make a statement with respect to Investec Bank plc's viability (i.e. its ability to continue in operation and meet its liabilities), taking into account the current position of the Bank, the Board's assessment of Investec Bank plc's prospects and the principal risks it faces. Following consideration, the IBP Audit Committee recommended the viability statement for Board approval.

The Board has identified the principal and emerging risks facing the Bank and these are highlighted on page 48 onwards, with further detail provided in the Investec plc (Investec Bank plc's parent company) annual report.

Through its various sub-committees, notably the IBP Audit Committee, the IBP BRCC and the IBP Capital Committee, the Board regularly carries out a robust assessment of these risks and their potential impact on the performance, liquidity, solvency and operational resilience of Investec Bank plc. The activities of these Board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with the Bank's strategic objectives and the prevailing market environment, the Board approved the overall mandated risk appetite framework for Investec Bank plc. The risk appetite framework

sets broad parameters relating to the Board's expectations around performance, business stability and risk management.

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

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

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

In order to manage liquidity risk, liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm specific, and combined scenarios (combination of the market-wide and firm specific stresses). Investec Bank plc manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the Board-approved risk appetite. In addition to these stress scenarios, the Bank's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each legal banking entity within Investec Bank plc is required to be fully self-funded. the Bank currently has £8.9 billion in cash and near cash assets, representing 47.7% of customer deposits.

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

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account the principal and emerging risks facing the Bank, changes in the business environments and inputs from business units. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities.

- Base case: The base case narrative envisages that UK economic activity continues to recover in line with other advanced markets, as social restrictions are lifted and pent-up demand fuels a rebound in consumer spending. Inflation is expected to rise sharply over the near term, but begins to come down as upward influences dissipate over time. In light of this, major central banks tighten monetary policy gradually, with the Bank of England (BoE) raising the Bank rate to 1.5% in Q1 2023 and reducing its Quantitative Easing holdings. COVID-19 remains a risk, but vaccination programmes prove effective in preventing the need for further restrictions.
- Inflation: In the inflation scenario, the current rise in inflation proves to be more sustained and at elevated levels. Principally this is driven by developments in the labour market. As such, central banks respond by raising interest rates more aggressively, with the UK Bank rate rising to a peak of 4% from the current setting of 1.25%. Markets correct sharply on the restrictive central bank policy, tightening financial conditions and weak economic activity. The resultant shock to UK GDP is 4.2% (peak-to-trough), with a recession across advanced markets in 2023.
- Synchronised global economic downturn: This is a hypothetical scenario, designed to encapsulate a variety of tail risks. It involves a severe global economic downturn and a sharp repricing of all asset classes, particularly those witnessing the most elevated valuations. Major equity indices see falls of between 30-40%and higher yield bond markets witness a sell off, with corporate credit spreads widening. Residential and commercial real estate are also severely affected. Whilst the start of the shock occurs in year one, there are lasting headwinds resulting in slow economic and asset price recoveries. Monetary policy is loosened, with the BoE cutting the Bank rate and conducting Quantitative Easing (although on a more limited scale than during the pandemic given the already large holdings of bonds). Inflation falls below 1% as the economy contracts and energy prices fall. UK GDP experiences a shock of around 5% (peak-to-trough).

Investec Bank plc's capital process also incorporates the BoE regulatory scenario. The BoE will return to its annual cyclical scenario (ACS) stress testing framework in 2022, following two years of COVID pandemic crisis-related stress testing. However, in light of uncertainty related to the Russian invasion of Ukraine, and in order to help lenders focus on managing the ongoing financial markets disruption associated with the invasion, there is a delay to the launch of the 2022 ACS, with revised timelines to be communicated by BoE in 2Q22.

The Board has assessed the Bank's viability in its 'base case' and stress scenarios. In assessing Investec Bank plc's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

DIRECTORS' REPORT
CONTINUED

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

In addition, the Bank performs climate scenario analysis in line with the requirements stipulated by Supervisory Statement SS3/19 'Enhancing banks' and insurers' approaches to managing the financials risks from climate change', on a proportionate basis for the size and complexity of the firm. The BoE's '2021 Climate Biennial Exploratory Scenario' has been used as the framework for scenario analysis, with initial focus on climate transition risk, and physical risks prioritised for the second half of 2022. To date, findings indicate that short-term transition risk is low and Investec Bank plc has sufficient capital and liquidity to continue as a going concern and meet regulatory capital and liquidity requirements.

Investec Bank plc's parent company, Investec plc, is required to maintain a recovery plan and a resolution pack for the Investec plc consolidated Group. The purpose of the recovery plan is to document how the Board and senior management will ensure that the Investec plc Group recovers from extreme financial stress to avoid liquidity and capital difficulties. The key focus in the recovery plan is the principal banking subsidiary, Investec Bank plc, and the protection of its depositors and other clients.

Investec Bank plc also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, as well as our reputation, brand and value-creating activities.

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

In assessing the Bank's viability, the Board has taken all of the above-mentioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec Bank plc will continue to operate and meet its liabilities as they fall due over the next three years. The Board has used a three-year assessment period as this is aligned to Investec Bank plc's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the Board sufficient and realistic visibility of Investec Bank plc's viability over the next three years to 31 March 2025.

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

- Pages 4 to 36, which show a strategic and financial overview of the business
- Page 52, which provides detail on the principal and emerging risks Investec Bank plc faces and information on the Group's overall risk appetite
- Pages 48 onwards, which provide an overview of Investec Bank plc's approach to risk management, and the processes in place to assist Investec Bank plc in mitigating its principal risks
- Pages 50 onwards which highlights information on Investec Bank plc's various stress testing processes
- Page 56 which focuses on Investec Bank plc's philosophy and approach to liquidity management
- Page 108 which provides detail on the recovery plan and resolution pack
- Pages 109 which explains Investec Bank plc's capital management framework.

This forward-looking viability statement made by the Board is based on information and knowledge of Investec Bank plc at 21 June 2022. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond IBP's control that could cause Investec Bank plc's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's report set out on pages 167 to 178, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the 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.

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DIRECTORS' REPORT
CONTINUED

In preparing these 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 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 IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No. 1606/2002 as it applies in the European Union 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 IFRSs in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company 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 Company's website.

The directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No.1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole
- That the annual report, including the 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
- 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.

The strategic report, directors' report and the financial statements of the Bank, were approved by the Board of Directors on 21 June 2022.

Signed on behalf of the board

Ruth Leas
Chief Executive
21 June 2022

Brian Stevenson
Chair
21 June 2022

04

Remuneration report

IN THIS SECTION

REMUNERATION REPORT

Moni Mannings
Chair of the IBP Remuneration Committee

Key achievements in FY2022

- Considered and approved the proposed 2022 remuneration approach for the Chief Executive, senior management, Material Risk Takers (MRTs), control function employees and other employees
- Navigated through an extremely competitive job market dealing with remuneration related matters ensuring key talent was retained
- Approved the variable remuneration spend and overall remuneration approach for the financial year ended 31 March 2022
- Reviewed and approved fixed remuneration increases taking into consideration the overall approach in the context of the current high inflationary environment and its impact on the cost of living
- Reviewed the diversity implications of the remuneration philosophy, policy and structures, including the pay gap figures; ethnicity pay gap figures were published for the first time this year
- Considered the interaction between culture and reward and the potential implications thereof
- Reviewed the non-standard remuneration structures within Investec Bank plc
- Regularly considered external legislative and regulatory developments, and approved for implementation required changes arising from these including the implementation of Capital Requirements Directive V (CRD V) effective 1 April 2021
- Regularly considered the application of malus and/or clawback
- Reviewed key new hires and exits, including the remuneration outcomes for good and bad leavers.

Areas of focus in FY2023

- Continue to review fixed remuneration levels considering the current high inflationary environment and its impact on the cost of living for our employees
- Consider and approve the remuneration framework and objectives for the Chief Executive, in the context of the Group Executive Team framework
- Consider the belonging, inclusion and diversity implications of the remuneration philosophy, policy and frameworks including equal pay and both the gender and ethnicity pay gap
- Consider how our remuneration philosophy, policy and practices support and align with our ESG initiatives
- Review and consider how the overall remuneration philosophy and approach supports and aligns with the Investec Bank plc and Group strategy
- Continue to regularly consider the application of malus and/or clawback
- Consider the alignment of remuneration for all employees with the Chief Executive and executive team
- Review and consider how the remuneration philosophy, policy and approach align with and support our culture
- Consider the risk implications of our remuneration policies and frameworks.

Meetings held in 2021/22

Members	Member since	Eligible to attend	Attended
Moni Mannings (Chair)*	20 May 2019	6	5
Brian Stevenson	20 May 2019	6	6
Henrietta Baldock**	05 August 2021	3	3
Philip Hourquebie***	20 May 2019	3	3
Lesley Watkins	20 May 2019	6	6

* Moni Mannings did not attend the Committee meeting held in March 2022 due to illness.
** Henrietta Baldock joined the Committee on 5 August 2021 and became the Investec group representative from that date.
*** Philip Hourquebie acted as the Investec Group representative until 5 August 2021.

REMUNERATION REPORT
CONTINUED

2021

May (two meetings)

- Considered and approved the proposed remuneration approach for the Chief Executive, senior management, Material Risk Takers, control function employees and other employees
- Approved the variable remuneration spend and approach for the year ending 31 March 2021; this was materially impacted by the COVID-19 pandemic
- Reviewed the application of malus and clawback
- Approved the annual remuneration report for Investec Bank plc
- Reviewed an extensive benchmarking exercise on Non-Executive Director fees, and approved updated principles for the determination of fees and fees to be paid for the 2021/22 year
- Considered and approved an updated remuneration governance approach.

July

- Reviewed recent regulatory developments
- Considered the remuneration approach for the Chief Executive, in the context of the Group Executive Team framework, in respect of the financial year ending 31 March 2022
- Received and considered a report for the Investec Bank plc Reward Committee
- Reviewed analysis of the non-standard remuneration packages for new hires and leavers.

September

- Reviewed recent regulatory developments
- Reviewed and approved the methodology for identifying Material Risk Takers, and the proposed Material Risk Taker list for the 2021/22 year
- Reviewed and approved the annual Remuneration Policy Statement for the 2021/22 financial year.

November

- Reviewed recent regulatory developments
- Received a presentation on the methodology for determining the variable remuneration spend and forecast spend for the 2021/22 year
- Received a presentation on the implications of CRD V for Investec Bank plc and subsequent actions taken
- Reviewed and approved of the updated Investec Bank plc Reward Committee terms of reference.

2022

March

- Reviewed and approved for publication the 2021 Gender and Ethnicity Pay Gap report
- Reviewed the context and proposed approach and guidance for the annual reward review
- Reviewed and approved the final methodology for identifying Material Risk Takers, and the final list of Material Risk Takers for the 2021/2022 financial year
- Reviewed and approved the final Remuneration Policy Statement for the 2021/22 financial year
- Reviewed analysis of the non-standard remuneration packages for new hires and leavers.

REMUNERATION REPORT
CONTINUED

Introduction

It is my pleasure to present the remuneration report for the year ended 31 March 2022, which describes the approach to remuneration at the Specialist Bank.

The IBP Remuneration Committee has responsibility for remuneration for the Specialist Bank and ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the bank operates, including its obligations as an independent bank regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). While the IBP Remuneration Committee is responsible for remuneration within the Specialist Bank, it reports key items up to both the IBP Board and the DLC Remuneration Committee.

Before we turn to look in more detail at key aspects of our remuneration, I would like to reflect on the IBP Remuneration Committee's responsibilities, achievements and challenges encountered over the past year, and to consider the key areas of focus for the Committee in the year ahead.

Role of the Chair

The role of the Chair of the IBP Remuneration Committee requires regular meetings with the executives of the bank, along with liaison with the Chair of the DLC Remuneration Committee. The Chair also has interactions with internal and external specialist advisers and with the heads of Reward, People & Organisation, Compliance and Risk, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the Chair of the IBP Remuneration Committee.

Composition

I served as Chair of the IBP Remuneration Committee for the financial year. The other members of the Committee for the full year were Brian Stevenson and Lesley Watkins.

The IBP Remuneration Committee is composed of independent Non-Executive Directors, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the IBP Remuneration Committee.

Philip Hourquebie was Chair of the DLC Remuneration Committee until 5 August 2021 and Henrietta Baldock was Chair of the DLC Remuneration Committee from 5 August 2021. The membership of Philip and Henrietta of the IBP Remuneration Committee for these periods, enhanced the interconnection between the IBP Remuneration Committee and the DLC Remuneration Committee.

Committee responsibilities

The IBP Remuneration Committee is responsible for considering the remuneration arrangements of the Executive Directors, senior employees including Material Risk Takers, and that of the wider workforce of the Specialist Bank. The remuneration framework, performance measures and metrics for the IBP Chief Executive Ruth Leas, who is a person discharging managerial responsibilities (PDMR) of the Investec Group, are determined by the DLC Remuneration Committee following consultation with the IBP Remuneration Committee. The annual remuneration for the Chief Executive is then reviewed by the IBP Remuneration Committee, with a recommendation provided to the DLC Remuneration Committee.

The IBP Remuneration Committee receive reports from the IBP Reward Committee which has been mandated to oversee the reward framework for Investec Bank plc employees, and act as the Malus and Clawback Committee to apply the Specialist Bank's policy in this regard.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Remuneration Committee. The membership of the Remuneration Committee of our wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Remuneration Committee.

The IW&I Remuneration Committee reports to the DLC Remuneration Committee. Any matters relevant to the Specialist Bank are communicated to the Bank, in part, through having the Chair of the DLC Remuneration Committee, Henrietta Baldock, as a member of the IBP Remuneration Committee.

The IBP Remuneration Committee reviews and recommends the remuneration for the Executive Directors and senior employees of the Bank to the DLC Remuneration Committee. The policy on remuneration packages for Non-Executive Directors is agreed and determined by the Investec Group Board.

The past year in focus

The past year has seen the IBP Remuneration Committee deal with many challenging matters which include the evolving hybrid working environment as COVID-19 restrictions eased, operating and responding to the high inflationary environment and its impact on the cost of living and navigating through and ensuring key talent was retained in an extremely competitive job market. The Committee ensured they focused on balancing the interests of various stakeholders in considering the approach to remuneration, and particularly variable remuneration payouts.

As outlined in the Corporate Governance section, the Board and the IBP Remuneration Committee have a strong focus on culture. It has been frequently documented, including by our regulators, that remuneration structures and practices can and do have a significant impact on the culture within organisations. Therefore this potential effect has a significant bearing on the approach and deliberations of the IBP Remuneration Committee when reviewing remuneration processes and practices within the Specialist Bank, and has driven some of the changes implemented, including the executive remuneration framework outlined below.

I am still the designated Non-Executive Director for workforce engagement for the Specialist Bank and engagement activities during the year have included culture dialogues, diversity and inclusion programmes, talent programmes, town halls, and question and answer sessions.

A quarterly workforce engagement synthesis meeting is also held with me, Henrietta Baldock as the designated Non-Executive Director for workforce engagement for the Board of Investec Group, and Cath Thorpe for IW&I, to ensure that the matters of interest to our people are considered across the Investec Group.

The IBP Remuneration Committee also oversaw the details and publication of the Bank's fifth annual pay gap report, now also including the ethnicity pay gap. Refer to the pay gap report published on the Investec website for full details.

REMUNERATION REPORT
CONTINUED

The IBP Remuneration Committee is committed to ensuring further improvement in the future. In addition, the Specialist Bank is a signatory to the Women in Finance Charter, and in doing so has committed to, among other items, linking the pay of senior executives to delivery against the set targets. Our target date was 31 March 2022 and we are pleased to confirm the targets have been met. Full details will be disclosed on our website by 31 December 2022.

Throughout the year, the Remuneration Committee reviewed the proposed approach to variable remuneration for the financial year ending 31 March 2022 and agreed the final approach in May 2022.

We are confident that the approach taken has enabled those who performed strongly to be rewarded, investment in appropriate strategic initiatives, retention of our key people and strong alignment with the Specialist Bank, Group and our shareholder in the future.

Performance and outcomes for the year

The revenue momentum experienced in the first half of the financial year continued into the second half and the Specialist Bank delivered a commendable set of results, slightly ahead of pre-COVID levels of profitability with an enhanced quality of earnings.

Variable remuneration for the 2022 year was calculated using the standard Economic Value Added (EVA) calculation.

Profits have increased this year by 165.6% and our people have delivered a strong performance and have been rewarded accordingly. We considered the needs of all of our stakeholders, including our shareholder, when determining the remuneration spend for the year. We agreed the following principles to guide our approach:

- Protect our business (so we have a sustainable, viable business in the long term)
- Ensure we retain those individuals who are deemed key to the future strategy of the business
- Mitigate flight risk and potential impact to the franchise
- Account for external factors, including the views of our shareholder and regulators
- Ensure we are sensitive to and supportive of the communities in which we operate.

Looking ahead

There is still considerable uncertainty regarding the Russian invasion of Ukraine and its full economic impact. However, we are confident in the performance and strength of our business, the dedication of our people and the optimised scale, resilience and technology within the business.

The IBP Remuneration Committee will focus in the coming year on our remuneration practices, with particular attention being given to ensuring that our philosophy, policy and approach support and align with our culture, and our approach to belonging, inclusion and diversity. The IBP Remuneration Committee will also be focused on the evolving hybrid working environment and operating within and responding to the high inflationary environment and its impact on the cost of living.

The IBP Remuneration Committee believes that the Specialist Bank's approach to executive remuneration is designed to incentivise exceptional performance from its executives and employees, and ensure that all the Bank's stakeholders, including shareholders and employees are rewarded appropriately for performance.

The Specialist Bank is also focused on ensuring that its approach to reward is fair in all aspects, and that all stakeholders are taken into account when determining how executives and employees are rewarded.

The IBP Remuneration Committee considers that there is strong alignment between the Specialist Bank's remuneration structure and the Bank's stakeholder, especially with vesting periods of share awards granted to employees which generally vest over five years, and in some cases seven years, with additional post-vesting retention periods for MRTs.

Conclusion

The Committee has had a positive year, dealing with many challenging matters which include the evolving hybrid working environment as COVID-19 restrictions eased, operating and responding to the high inflationary environment and its impact on the cost of living and navigating through and ensuring key talent was retained in an extremely competitive job market.

We are confident that the steps we have taken have allowed us to effectively reward our people who have performed strongly, retain our key people, and ensure strong alignment with the Specialist Bank, Group and our shareholder in the future.

Moni Mannings
Chair, IBP Remuneration Committee
21 June 2022

REMUNERATION REPORT
CONTINUED

Remuneration overview

Inside this section

Remuneration philosophy and approach for all employees

Our remuneration approach is designed to foster an exceptional performance culture that enables an entrepreneurial spirit as well as a strong sense of ownership. We use remuneration to help attract and retain culturally aligned, smart, innovative and talented people who adhere and subscribe to our culture, risk appetite, values and philosophies, and to recognise and drive out of the ordinary performance.

The Specialist Bank's remuneration levers work to:

- Provide a sense of security, so people feel free to innovate, challenge and influence
- Motivate people to deliver exceptional performance
- Give people a sense of ownership, so they feel invested in the organisation.

Our remuneration approach reflects our culture; it is an honest and challenging process that is tailored to individual roles and acknowledges personal and team contributions. We reward people for the contribution they make through payment of a fixed package, variable performance bonus, and ownership through a share incentive scheme. We strive to provide a working environment that stimulates extraordinary performance so that Executive Directors and employees may be positive contributors to our clients, our communities and the Group.

When determining levels of variable remuneration, the Specialist Bank considers the overall level of performance, culture and risk events in the year. The proportion of variable to fixed remuneration is carefully monitored to ensure compliance with regulatory requirements. All incentives are subject to the Bank's performance adjustment policy. This provides the Bank with the ability to reduce, revoke or recover variable remuneration in respect of a risk, control or conduct issue, event or behaviour.

Given IBP Board Executive Directors and additional senior Specialist Bank executive incentives are deferred for up to seven years, the Bank does not believe that the incentive structures inadvertently motivate irresponsible or short-term behaviour.

REMUNERATION REPORT
CONTINUED

OVERVIEW OF REMUNERATION FOR ALL EMPLOYEES

Element	Operation – Specialist Bank
Salary	• Paid monthly in cash
Role-Based Allowance	• Role-Based Allowances may be awarded to certain Material Risk Takers to reflect their roles and ensure an appropriate balance between fixed and variable remuneration – Paid monthly in cash – These are fixed, according to the nature of each role, and can only be amended in certain limited circumstances (e.g. a material increase in organisational responsibilities).
Benefits and pension/provident	• Benefits are provided, with the details depending on local market practice – Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances – Pension and benefit levels differ globally to be competitive in different markets, and there is no single pension level across the Group – Specialist Bank Executive Directors have access to the same benefits as bank employees mentioned above, being Company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance.
Short-term incentive	• Discretionary performance bonuses based on business and individual performance • The amounts available to be distributed are based on the Bank-wide risk adjusted Economic Value Added (EVA) model which is, at a high level, based on revenue less risk-adjusted costs, and overall affordability • At an individual level the bonus allocations are determined based on performance against qualitative and quantitative factors. Qualitative measures include adherence to culture, including supporting belonging, inclusion and diversity, market context, contribution to performance and brand building, attitude displayed towards risk consciousness and effective risk management.
	Non-Material Risk Takers: • For employees who are not Material Risk Takers, all bonus awards exceeding a pre-determined threshold are subject to 60% deferral in respect of the portion exceeding the threshold • The deferred amount is awarded in the form of: short-term share awards vesting in three equal tranches over a period of approximately three years; or cash released in three equal tranches over a period of approximately three years • Deferred bonuses are subject to malus conditions.
	Material Risk Takers: Bonus awards are subject to deferral as follows: • Where variable remuneration, comprising bonus and LTIP, exceeds £500,000, 60% of variable remuneration is deferred • Where variable remuneration is less than £500,000 40% is deferred, unless the de minimis concession is met in which case there is no deferral • A minimum of 50% of both the deferred and non-deferred elements are delivered in shares, with the remaining balance in cash or shares • The deferred elements vest over periods from four up to seven years and are subject to an appropriate retention period, generally12 months, after vesting • All variable remuneration is subject to clawback • All deferred variable remuneration is subject to malus • MRTs are subject to the 2:1 maximum ratio of variable to fixed remuneration.
Other	• Variable remuneration of employees in the audit, risk and compliance functions is set independently of the business they oversee • The Non-Executive Directors are not eligible to participate in any of the Group's incentive plans or to join any pension scheme. They do not receive any taxable benefits over and above reimbursement for agreed travel and subsistence.

REMUNERATION REPORT
CONTINUED

Consideration of all employee remuneration

The IBP Remuneration Committee reviews changes in remuneration arrangements in the workforce as we recognise that all our people play an important role in the success of the Specialist Bank. The Bank is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner, and the IBP Remuneration Committee reviews our practices around creating a fair, diverse and inclusive working environment.

In making decisions on executive pay, the IBP Remuneration Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. Effective from 2019 the Board appointed a designated Non-Executive Director (NED) to represent employees in the boardroom. The designated NED acts as an engagement mechanism between our employees and the Board and some of their key objectives are to:

- Ensure the reward, incentives and conditions available to the Company's workforce are taken into account when deciding the pay of Executive Directors and senior management
- Enable the IBP Remuneration Committee to explain to the workforce each year how decisions on executive pay reflect wider Company pay policy
- Assist the IBP Remuneration Committee to provide feedback to the Board on workforce reward, incentives and conditions, and support the latter's monitoring of whether Company policies and practices support culture and strategy.

The Board believes that employees throughout the Specialist Bank should be able to share in the success of the Bank. As such, as outlined in the table on the prior page, in addition to the fixed pay element, all of our employees have access to market relevant benefits, and all employees are eligible to be considered for an annual bonus after a short initial qualifying period. The Board believes strongly in share ownership among our employees and therefore all employees are, in principle, eligible to participate in our long-term incentive scheme.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at a Specialist Bank, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Determination of remuneration levels for employees

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration in the Specialist Bank include:

- Financial measures of performance:
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values, including supporting belonging, inclusion and diversity
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal control procedures
  - Compliance with the Specialist Bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The IBP Remuneration Committee recognises that the Specialist Bank operates an international business and competes with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- While benchmarking information is utilised, it is considered along with other relevant factors, including internal comparators, the scope and complexity of the role and the individual's contribution.

Variable remuneration

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives reflects differing regulatory requirements for the different legal entities and also differing competitive pressures in each distinct market in which the Specialist Bank operates.

Specialist Bank: variable short-term incentive

Risk-weighted returns form the basis for variable remuneration levels

In our ordinary course of business, we face a number of risks that could affect our business operations, as highlighted on page 52.

REMUNERATION REPORT
CONTINUED

Risk management is independent from the business units and monitors, manages and reports on the Specialist Bank's risk to ensure it is within the stated risk appetite as mandated by the Board of Directors through the IBP Board Risk and Capital Committee (IBP BRCC). The Bank monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/ forums/committees.

The Specialist Bank's central credit, investment and risk forums, IBP Executive Risk Review Forum (Review ERRF) and IBP Executive Risk Committee (IBP ERC) provide transaction approval independent of the business unit on a deal-by-deal basis.

EVA model: allocation of performance-related bonus pool
Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each business unit on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the executive, and agreed by the IBP Remuneration Committee.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where a business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the executive and IBP Remuneration Committee, with support from the Group and the DLC Remuneration Committee, may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the Specialist Bank, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the Specialist Bank; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central services and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering Group-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the Bank's ability to maintain/ raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the Specialist Bank's finance function and are subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving the People & Organisation function and the executive
- Thereafter, these recommendations are subject to a global review by executive management before the IBP Remuneration Committee and DLC Remuneration Committee review and approval process.

Deferral of annual bonus awards: other than Material Risk Takers within the Bank
All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches over approximately three years; or cash released in three equal tranches over approximately three years. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term share awards. These awards are made under the terms of our existing long-term incentive plans. The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: Material Risk Takers within the Bank

- Material Risk Takers include senior management, risk takers, staff engaged in certain central functions and any other employees whose professional activities have a material impact on the Specialist Bank's risk profile
- Individual awards to MRTs are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the Specialist Bank's remuneration policy and governance processes (also set out above)

REMUNERATION REPORT
CONTINUED

- Variable remuneration awards to Executive Directors of the Bank (excluding Executive Directors who are employees of a separately regulated firm) and all variable remuneration awards to other MRTs where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All variable remuneration awards to other MRTs where total variable remuneration is less than £500 000 are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance are awarded as 50% in cash and 50% in short-term share awards
- The upfront short-term share awards vest immediately, but are only released after a period of 12 months for all MRTs, with the exception of risk managers, for which it is six months
- Variable remuneration awards for MRTs who are not exempted by the de minimis concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short-term share awards, or 50% in short-term share awards and 50% in cash
- All deferrals in the form of short-term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being 12 months, with the exception of risk managers, for which it is six months.

Malus and clawback within the Specialist Bank
Employees who leave the employment of the Specialist Bank prior to vesting of deferred incentive awards will lose their deferred bonus forfeitable shares other than as a result of retirement, subject to the Bank's normal good leaver provisions and approval process in exceptional cases.

The deferred share and cash awards for MRTs are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested awards will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or business unit suffers a material failure of risk management
- Other relevant events.

In these cases, management and the IBP Remuneration Committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the Specialist Bank or business unit
- Any violation of the Bank's culture and values
- The long-term impact of the outcome on the Bank or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for short-term share awards, where profits used to determine the original bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to malus and/or clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards
The Specialist Bank has a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholder and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the IBP Remuneration Committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association Principles of Remuneration. These awards comprise two elements, namely:

- 'New starter' awards may be awarded on a discretionary basis to new starters and are generally linked to salary levels
- "Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the DLC Share Incentive Executive Committee and the IBP Remuneration Committee before being awarded.

REMUNERATION REPORT
CONTINUED

Forfeitable shares for non Material Risk Takers are subject to one third vesting after approximately three, four and five years, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and to vesting over a period of two to four years, or three to seven years, determined by regulatory requirements, and are then subject to a 12 month retention period, with the exception of risk managers, for which it is six months. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

For further information on the share option and long-term share incentive plans in operation and in which the directors are eligible to participate, refer to the Investec Group's 2022 Remuneration Report.

Other remuneration structures

Guaranteed variable remuneration
Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guaranteed awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the Specialist Bank unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The IBP Remuneration Committee, or the Chair on behalf of the Committee, is required to pre-approve individual remuneration packages (including new joiner, retention and severance remuneration) for the following:

- IBP Executive Directors, in consultation with the DLC Remuneration Committee
- IBP PDMRs
- IBP Senior Managers defined under the Senior Management and Certification Regime (SMCR).

All other forms of guaranteed remuneration above pre-determined thresholds are reported to the IBP and DLC Remuneration Committees.

Retention awards
The Specialist Bank only pays retention awards to serving staff in exceptional circumstances. In all such cases, the People & Organisation and Reward functions shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for MRTs, the IBP Remuneration Committee shall review and approve all proposed awards. Circumstances where the Bank will consider making retention awards include the case of a major restructuring of the Group or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented to the IBP Remuneration Committee in order for a retention award to be approved. It is required that the PRA be notified prior to a retention award being made to an MRT, and their guidance sought on the appropriateness of retention awards for certain other individuals.

Severance awards
Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for MRTs in the Specialist Bank are subject to all necessary regulatory requirements, and approval by the IBP Remuneration Committee.

Other remuneration structures
On occasion the Specialist Bank may utilise other remuneration structures, not mentioned above, in certain pre-agreed circumstances such as are required by our clients or market practice.

Discretionary extended pension benefits policy
Extended pension payments are very rarely made and any such proposed payments to employees upon reaching retirement are required to be reviewed and approved by the IBP Remuneration Committee for alignment with appropriate laws, policy and regulation.

Governance

Compliance and governance statement
The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended), the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code and Pillar III disclosure requirements.

Scope of our remuneration policy
The Specialist Bank aims to apply remuneration policies to Executive Directors and employees that are largely consistent across the Bank, but recognises that certain parts of the Bank are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the Specialist Bank. This is relevant to Investec Bank plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to MRTs. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec Bank plc Group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the Bank policy and in line with such entity's own risk profile and business activities:

- Investec Wealth & Investment Limited.

REMUNERATION REPORT
CONTINUED

Audit information

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2022

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
Name	**31 March 2022**	1 April 2021	**31 March 2022**	**31 March 2022**	1 April 2021	**31 March 2022**
Executive Directors						
Fani Titi	324 065	541 970	0.05%	—	—	—
Ruth Leas	180 676	146 847	0.03%	—	—	—
Kevin McKenna	48 296	25 659	0.01%	—	—	—
Total	**553 037**	**714 476**	**0.09%**	**—**	**—**	**—**
Non-Executive Directors						
Brain Stevenson (Chair)	—	—	—	—	—	—
Henrietta Baldock	—	—	—	—	—	—
Zarina Bassa	—	—	—	—	—	—
David Germain	—	—	—	—	—	—
Moni Mannings	—	—	—	—	—	—
Paul Seward	—	—	—	—	—	—
Lesley Watkins	—	—	—	—	—	—
Total	**—**	**—**	**0.00%**	**—**	**—**	**0.00%**

1. The issued share capital of Investec plc and Investec Limited at 31 March 2022 was 696.1 million and 310.4 million respectively.
2. The market price of an Investec plc share at 31 March 2022 was £5.04 (2021: £2.19), ranging from a high of £5.14 to a low of £2.19 during the financial year.
3. The market price of an Investec Limited share as at 31 March 2022 was R97.51 (2021: R43.27), ranging from a high of 98.16 to a low of R42.68 during the financial year.

Directors' interest in preference shares at 31 March 2022
The directors' do not have any interest in preference shares.

Directors' interests in options at 31 March 2022
Investec plc shares
The directors do not have any interest in options over Investec plc shares.

Investec Limited shares
The directors do not have any interest in options over Investec Limited shares.

Directors' interests in long-term incentive plans at 31 March 2022
Investec plc shares
The directors do not have any interest in options over Investec plc shares.

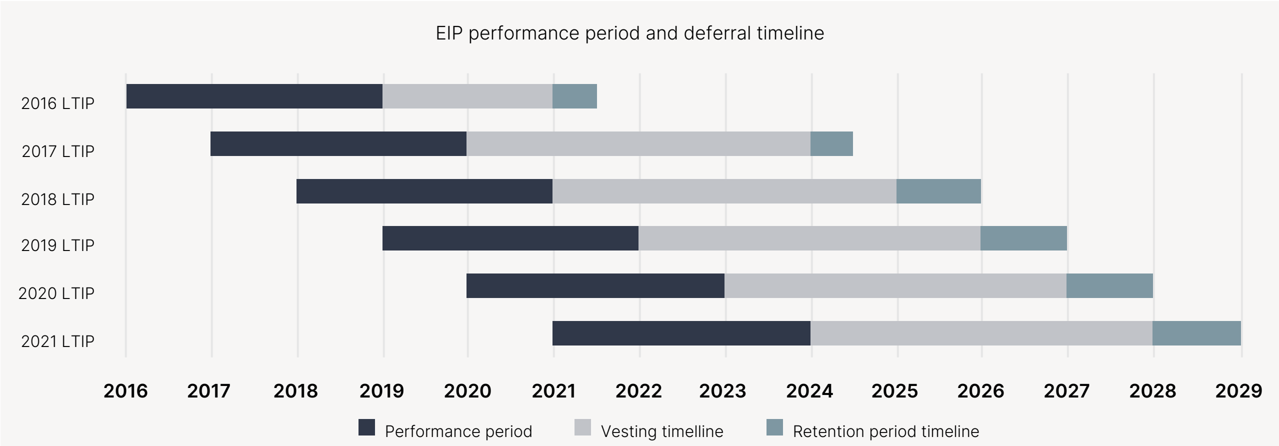
Investec Limited shares
The directors do not have any interest in options over Investec Limited shares.

REMUNERATION REPORT
CONTINUED

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2022
Long-term share awards granted in respect of the 2019, 2020 and 2021 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2021	Conditional awards made during the year	Balance at 31 March 2022
Fani Titi	29 May 2019	Nil	278 080	—	**278 080**
	5 June 2020	Nil	769 231	—	**769 231**
	27 May 2021	Nil	—	349 651	**349 651**

Note: Upon termination of employment awards will be pro rated based on service over the performance period



Notes
First vesting aligns with the end of the performance period.
The June 2016 and 2017 awards have a six month retention period post vesting and all other awards a 12 month retention period.

REMUNERATION REPORT
CONTINUED

Conditional awards to Material Risk Takers at 31 March 2022 not subject to performance conditions

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2021	Options granted/ lapsed during the year	Exercised during the year	Balance at 31 March 2022	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Fani Titi	29 May 2019	Nil	36 902	—	(36 902)	**—**	£3.07	113 460	One half is exercisable on 29 May each year, commenced on 29 May 2020 until 29 May 2021, subject to a further 12 months' retention period after vesting date.
	27 May 2021	Nil		140 926		**140 926**			29% is exercisable on 27 May 2022 and 27 May 2023, 9% is exercisable on 27 May each year commencing on 27 May 2024 until 27 May 2028. subject to a further 12 months' retention period after vesting date.
Ruth Leas	31 May 2018	Nil	20 375	—	(4 075)	**16 300**	£3.07	12 529	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further 12 months' retention period after vesting date.
	29 May 2019	Nil	37 933	—	—	**37 933**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further 12 months' retention period after vesting date.
	27 May 2021	Nil		4 413	—	**4 413**	—	—	One fifth is exercisable on 27 May each year, commencing on 27 May 2024 until 27 May 2028, subject to a further 12 months' retention period after vesting date.
Kevin McKenna	8 June 2017	Nil	15 080	—	—	**15 080**	—	—	One half is exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six months' retention period after vesting date.
	31 May 2018	Nil	55 137	—	(11 027)	**44 110**	£3.07	33 903	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further 12months' retention period after vesting date.
	29 May 2019	Nil	75 866	—	—	**75 866**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further 12 months' retention period after vesting date.
	27 May 2021	Nil		12 812	—	**12 812**	—	—	One fifth is exercisable on 27 May each year, commencing on 27 May 2024 until 27 May 2028, subject to a further 12 months' retention period after vesting date.

REMUNERATION REPORT
CONTINUED

Conditional awards to Material Risk Takers at 31 March 2022 subject to performance conditions

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2021	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2022**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Ruth Leas	8 June 2017	Nil	20 000	—	—	**20 000**			Final one third is exercisable on 8 June 2022 and subject to six months' retention after vesting date.
	31 May 2018	Nil	60 000		(12 000)	**48 000**	3.07	36 896	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further 12 months' retention period after vesting date.
	29 May 2019	Nil	62 631	—	—	**62 631**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further 12 months' retention period after vesting date.
	5 June 2020	Nil	256 411	—	—	**256 411**	—	—	One fifth is exercisable on 05 June each year, commencing on 05 June 2023 until 05 June 2027, subject to a further 12 months' retention period after vesting date.
	27 May 2021	Nil	—	69 931		**69 931**	—	—	One fifth is exercisable on 27 May each year, commencing on 27 May 2024 until 27 May 2028, subject to a further 12 months' retention period after vesting date.
Kevin McKenna	8 June 2017	Nil	48 000	—	(12 000)	**36 000**	£3.05	36 569	One fifth is exercisable on 8 June each year, commenced on 8 June 2020 until 8 June 2024, subject to a further six months' retention period after vesting date.
	31 May 2018	Nil	60 000	—	(12 000)	**48 000**	3.07	36 896	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further 12 months' retention period after vesting date.
	31 May 2019	Nil	62 631	—	—	**62 631**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further 12 months' retention period after vesting date.
	27 May 2021	Nil	—	42 833		**42 833**	—	—	One fifth is exercisable on 27 May each year, commencing on 27 May 2024 until 27 May 2028, subject to a further 12 months' retention period after vesting date.

The above awards to Material Risk Takers are subject to performance conditions and a six or 12 month retention period after the award vests. In addition, these awards are subject to clawback in respect of some or all of the unvested portion of the award in terms of the PRA Remuneration Code.

The performance conditions will be assessed by the IBP Remuneration Committee and the DLC Remuneration Committee, in accordance with the rules and requirements of the PRA from time to time, at the end of each financial year of the performance period. For each year within the performance period that the return on risk weighted assets for Investec Bank plc is equal to or greater than 0.3%, the performance condition for 25% of the award is satisfied, in which case 25% of the award will vest on the relevant vesting date (subject to clawback).

Outstanding unvested deferred forfeitable share awards not subject to performance conditions

Name	Award type	Performance conditions	Eligible for dividends	Vesting period	**Total number outstanding at 31 March 2022**
Ruth Leas	Forfeitable shares	None	Yes	From 1 to 7 years	1 049
Kevin McKenna	Forfeitable shares	None	Yes	From 1 to 7 years	7 539

REMUNERATION REPORT
CONTINUED

Executive Directors' emoluments

	2022	2021
Aggregate emoluments (excluding pension contributions)	6 057	4 544
Contributions to defined contributions scheme	102	111
	6 159	**4 655**
Number of directors in defined contribution scheme	3	6
Number of directors in closed defined benefits scheme	—	–

Included in aggregate executive director emoluments for the current year are performance awards to IBP Executive Directors. Performance awards comprise £359 056 in upfront cash, £1 350 656 in upfront shares (vesting immediately and subject to 12 months' retention thereafter), £225 581 in deferred cash (vesting equally over three to seven years, subject to regulatory requirements), and £1 153 707 in deferred short-term share awards (vesting equally over three to seven years, subject to regulatory requirements).

Emoluments of the highest paid director were £2 757 933 (2021: £1 905 832) excluding £34 527 of pension contribution to the defined contribution scheme. The performance awards of the highest paid director comprise £0 in upfront cash, £991 600 in upfront shares (vesting immediately and subject to 12 months' retention thereafter) and £687,400 in deferred short-term share awards (vesting over four to seven years). The emoluments exclude long-term incentives with vesting subject to achievement against future performance conditions.

The directors have, during the year, exercised options granted to them under various of the Investec plc Group's long-term incentive plans.

Full details are included on pages 159 - 162.

Non-Executive Directors receive fees based on their Board and committee membership and roles.

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below.

Summary: Investec plc and Investec Limited share statistics

	31 March 2022	31 March 2021	High over the year	Low over the year
Investec plc share price	£5.04	£2.19	£5.14	£2.19
Investec Limited share price	R97.51	R43.27	R98.16	R42.68
Number of Investec plc shares in issue (million)	696.1	696.1		
Number of Investec Limited shares in issue (million)	310.4	318.9		

Additional remuneration disclosures (unaudited)

PRA and FCA Remuneration Code and Pillar III disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation, the Specialist Bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the Specialist Bank's risk profile. A total of 51 individuals were Material Risk Takers at 31 March 2022.

The bank's qualitative remuneration disclosures are provided on pages 149 to 158 and further information is provided in the Investec Group's 2022 Remuneration Report.

The information contained in the tables below sets out the Specialist Bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2022.

REMUNERATION REPORT
CONTINUED

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Other Material Risk Takers	Total
Fixed remuneration			
– Cash	13.9	9.7	23.6
– Shares	—	—	—
Variable remuneration*			
– Upfront cash	2.5	2.0	4.5
– Deferred cash	1.9	1.2	3.1
– Upfront shares	5.8	2.0	7.8
– Deferred shares	5.1	1.8	6.9
– Deferred shares – long-term incentive awards**	5.3	2.1	7.4
Total aggregate remuneration and deferred incentives (£'million)	**34.5**	**18.8**	**53.3**
Number of employees	24	25	49
Ratio of variable to fixed pay	1.5	0.9	1.3

* Total number of employees receiving variable remuneration was 44.
** Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period from two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a six or 12 month retention period after vesting.

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	6
£1 200 001 – £1 600 000	7
£1 600 001 – £2 000 000	8
£2 000 001 – £2 400 000	2
£2 400 001 – £2 800 000	2
£2 800 001 – £3 200 000	0
£3 200 001 – £3 600 000	1
£3 600 001 – £4 000 000	0
£4 000 001 – £4 400 000	0
£4 400 001 – £4 800 000	0
£4 800 001 – £5 200 000	0
> £5 200 001	0

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the beginning of year	23.5	18.6	42.1
Deferred unvested remuneration adjustment – employees no longer MRT staff and reclassifications	(2.2)	(1.3)	(3.5)
Deferred remuneration awarded in the year	12.2	5.1	17.3
Deferred remuneration reduced in year through performance adjustments	—	—	—
Deferred remuneration reduced in year through malus and clawback adjustments^^	—	—	—
Deferred remuneration vested in year	(1.9)	(3.5)	(5.4)
Deferred unvested remuneration outstanding at end of year	**31.6**	**18.9**	**50.5**

^^ All employees are subject to malus and clawback provisions as discussed on page 157. No remuneration was reduced for ex post implicit adjustments during the year.

REMUNERATION REPORT
CONTINUED

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	29.1	16.9	46.0
– Cash	2.5	2.0	4.5
	31.6	**18.9**	**50.5**

£'million	Senior management	Other Material Risk Takers	Total
Deferred remuneration vested in year			
– For awards made in 2019 financial year	0.6	1.1	1.7
– For awards made in 2018 financial year	0.8	1.6	2.4
– For awards made in 2017 financial year	0.6	0.7	1.3
– For awards made in 2016 financial year	—	—	—
	2.0	**3.4**	**5.4**

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	—	—	—
Number of beneficiaries	—	—	—
Severance payments			
Made during the year (£'million)	0.6	0.7	1.3
Number of beneficiaries	2	3	5
Guaranteed bonuses			
Made during the year (£'million)	—	—	—
Number of beneficiaries	—	—	—

Key Management Personnel (audited)

Details of directors' remuneration and interest in shares are disclosed on pages 159-162.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation.

Compensation of key management personnel	2022 £'000	2021 £'000
Short-term employee benefits	17 568	11 919
Other long-term employee benefits	3 950	4 263
Share-based payments	2 941	3 105
Total	24 459	19 287

Shareholdings, options and other securities of key management personnel

	2022 £'000	2021 £'000
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	6 593	5 764

	2022 £'000	2021 £'000
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	3 693	3 833

We have defined key management personnel as the directors of Investec Bank plc plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Mark Currie, Marc Kahn, Nishlan Samujh, Lyndon Subroyen, Stuart Spencer, Richard Wainwright and Ciaran Whelan.

05

Annual financial statements

IN THIS SECTION

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC

Opinion

In our opinion:

- Investec Bank plc's 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 and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements been properly prepared in accordance with UK adopted international accounting standards as applied 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.

We have audited the financial statements of Investec Bank plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2022	Balance sheet as at 31 March 2022
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 8, 9,13-31, 33-40, 42-48, 51-52 and 56 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 55 to the financial statements, including a summary of significant accounting policies	
Information identified as 'audited' in the annual report on risk management in section three	
Information identified as 'audited' in the annual report on remuneration in section four	

The financial reporting framework that has been applied in the preparation is applicable law and UK adopted international accounting standards and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and; as regards to the Parent Company financial statements, as applied in accordance with 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 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the Group 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 current macro-economic environment in which 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) and Financial Conduct Authority (FCA) for matters that may impact the going concern assessment; and
- evaluating the appropriateness and conformity of the going concern disclosure included in the annual report with the reporting standards and management’s going concern assessment.

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

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 two components and audit procedures on specific balances for a further two components. • 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 (“operating profit”), 98% of total operating income before expected credit loss impairment charges (“revenue”) and 98% of total assets.
Key Audit Matters	• Adequacy of the provision for expected credit losses on loans and advances to customers; • Valuation of financial 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 related potential civil and tax claims; and • IT systems and controls impacting financial reporting.
Materiality	• We applied Group materiality of £14.4 million which represents 5% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions (“operating profit”).

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

An overview of the scope of the Parent and Group audits

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 consolidated financial statements.

We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls, and other factors such as changes in the business environment when assessing the level of work to be performed at each company.

Of the four components selected, we performed an audit of the complete financial information of two components (“full scope components”) which were selected based on their size or risk characteristics. For the two other 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.

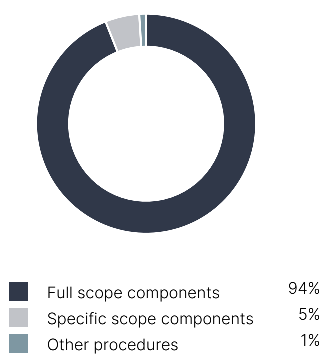
Component	Scoping
Investec Bank plc*	Full
Investec Wealth and Investment Limited	Full
Investec Bank (Channel Islands) Limited	Specific
Investec Holdings Australia Limited	Specific

* This component consists of Investec Bank plc, the Parent Company along with all the consolidation adjustments and other material balances relating to UK subsidiaries of Investec Bank plc which are also signed off by the senior statutory auditor.

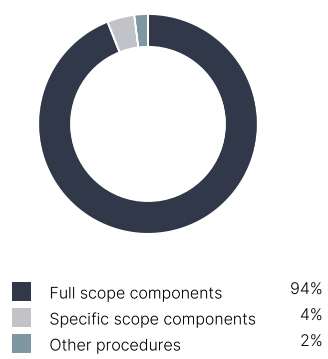
The reporting components where we performed audit procedures accounted for 99% (2021: 93%) of the Group’s operating profit, 98% (2021: 97%) of the Group’s revenue and 98% (2021: 98%) of the Group’s total assets. For the current year, the full scope components contributed 94% (2021: 85%) of the Group’s operating profit, 94% (2021: 90%) of the Group’s revenue and 88% (2021: 89%) of the Group’s total assets. The specific scope component contributed 5% (2021: 8%) of the Group’s operating profit, 4% (2021: 7%) of the Group’s revenue and 10% (2021: 9%) 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 represent 1% (2021: 7%) of the Group’s operating profit and for these components, we performed other procedures, including analytical review, review scope components 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.

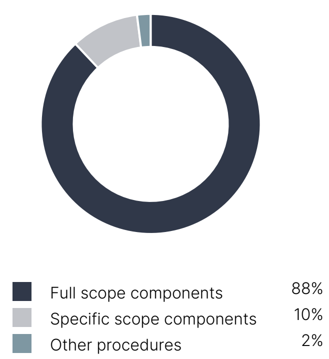
Operating profit



Revenue



Total Assets



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Changes from the prior year
Investec Holdings (Ireland) Limited, which we performed a limited review over in the prior year, was brought out of scope in the current year considering the component's contribution to overall operating profits.

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 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 had been designed to ensure that the Senior Statutory Auditor visits all full scope, specific scope and review scope locations in the UK, Australia and Europe. These in-person visits and virtual reviews involved discussing the audit approach with the component team and any 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.

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 Directors' Report and in the ESG (including climate) risk section within the Risk management section, 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 International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In the Accounting Policy 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 Policy 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 AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Adequacy of the provision for expected credit losses on loans and advances to customers	
Refer to the Audit Committee Report (page 134); Accounting policies (page 198); and Note 26 of the Consolidated Financial Statements (page 246) The determination of the provision for expected credit losses is highly subjective. The subjectivity relates to the path to recovery from COVID-19, the impact of the Russian invasion of Ukraine and the impact of climate change. At year-end the Group reported gross loans and advances to customers subject to expected credit losses of £13,948 million (2021: £11,968 million); expected credit losses on loans and advances to customers at amortised cost of £130 million (2021: £164 million); and expected credit loss impairment charges of £25 million (2021: £71 million). Given the subjective nature of the calculation of Expected Credit Loss ("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. The level of risk has remained consistent with the prior year.	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. We recalculated 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 the 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. As part of this assessment we attended the Capital Committee where the economic scenarios were approved. We involved EY 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. We also tested a sample of the reporting date data used in the models by tracing back to the source systems.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Adequacy of the allowance for expected credit losses on loans and advances to customers (continued)	
	Post model adjustments We obtained an understanding of the model limitations to evaluate the completeness and appropriateness of the related adjustments. We also independently recalculated these adjustments. We assessed the governance processes that the Group has put in place to review and approve the post model adjustments. For the 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. **Individually assessed provisions** 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. 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. **Disclosures** 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. **Overall stand-back assessment** We performed a stand-back assessment of the ECL provision 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.

The audit work was performed centrally by the Group audit team supported by relevant component audit teams, as required. We have performed audit work over 100% of the ECL.

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 AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Valuation of fair value instruments with higher risk characteristics and associated income	
Refer to the Audit Committee Report (page 134); Accounting policies (page 198); and Note 14 of the Consolidated Financial Statements (page 222). As at 31 March 2022, the Group held financial instruments assets of £4,651 million and liabilities of £1,048 million (2021: assets £4,596 million and liabilities £1,527 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. 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. 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. Management's estimates which required significant judgement included: • Complex models – complex model-dependent derivatives and debt securities, which include structured equity derivatives with exotic features; • 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); • 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. 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. 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. 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. **Complex models** 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. **Valuation techniques** We performed procedures on key judgments made by management in the calculation of fair value on illiquid unlisted investments, fair value loans and profit sharing arrangements, including: • 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; • performing calculations to assess the appropriateness of discount rates used in discounted cashflow valuations, with reference to relevant industry and market data; • 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 • 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. **Illiquid inputs** We performed procedures on key judgments 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 including: • 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; and • 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. For all positions, we compared our determined ranges and estimates to management's fair values.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Valuation of fair value instruments with higher risk characteristics and associated income (continued)	
We performed full audit procedures over this risk area for two components, which covered 100% (2021: 100%) 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.

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	
Refer to the Audit Committee Report (page 135 of volume One); Accounting policies (page 197); and Note 45 of the Consolidated Financial Statements (page 262) 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. 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. 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. 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. 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. We have obtained and evaluated the minutes of internal committees overseeing management's response to the matters. With the assistance of tax specialists, we have considered the matters in dispute and compared with externally available information to challenge management's assessment. 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.

We performed full scope audit procedures over this risk area in the component impacted by the risk.

Key observations communicated to the Audit Committee
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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
IT systems and controls impacting financial reporting	
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: • User access management across application, database and operating systems; • Controls over changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. 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. 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. 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. 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. 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: • 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; • tested downstream compensating business controls; and • 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 AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK 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 £14.4 million (2021: £9.7 million), which is 5% (2021: 5%) of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("operating profit") (£287.6 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.

We determined materiality for the Parent Company to be £9.7 million (2021: £8.8 million), which is 1% (2021: 1%) of distributable equity. There has been no change in the basis from the prior year.

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 £7.2 million (2021: £4.8 million). We have set performance materiality at this percentage based on our understanding of the Group 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 £1.4 million to £4.8 million (2021: £0.9 million to £4.4 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 £0.7 million (2021: £0.5 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 including the Strategic Report (Operations and Strategic Overview set out on pages 4 to 27 and Financial Review set out on pages 32 to 45), Risk Management (set out on pages 48 to 112), Corporate Governance (set out on pages 113 to 143), Remuneration Report (set out on pages 149 to 150), Directors' Report (set out on pages 144 to 147), Definitions (set out on page 292), Glossary (set out on page 293), Credit Ratings (set out on page 295) and Corporate Information (set out on page 296), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Opinions on other matters prescribed by 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 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 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;
- Directors' explanation as to its assessment of the Group and Parent Company's prospects, the period this assessment covers and why the period is appropriate;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and;
- The section describing the work of the audit committee.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page 146], 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

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 Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and IFRS), the Companies Act 2006 and the UK Corporate Governance Code, the FCA Listing Rules, regulations and supervisory requirements of the PRA, FRC, FCA and other overseas regulatory requirements, including but not limited to regulations in markets such as 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 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 and FCA.
- 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 by the Group on 8 November 1996 to audit the financial statements for the year ending 31 March 1997 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 26 years, covering the years ending 31 March 1997 to 31 March 2022.
- 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.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's member, 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 member 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 Parent Company and the company's member, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Chris Brouard (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 June 2022

CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	Notes	2022	2021
Interest income	2	719 538	702 126
Interest income calculated using effective interest method		619 498	585 399
Other interest income		100 040	116 727
Interest expense	2	(223 230)	(288 035)
Net interest income		**496 308**	**414 091**
Fee and commission income	3	508 929	499 671
Fee and commission expense	3	(14 697)	(13 201)
Investment income	4	10 579	23 820
Share of post-taxation profit of associates and joint venture holdings	28	1 988	1 768
Trading income/(loss) arising from			
– customer flow		60 372	(11 025)
– balance sheet management and other trading activities		(1 305)	11 206
Other operating income	5	11 158	10 002
Total operating income before expected credit loss impairment charges		**1 073 332**	**936 332**
Expected credit loss impairment charges	6	(25 363)	(71 134)
Operating income		**1 047 969**	**865 198**
Operating costs	7	(760 286)	(757 758)
Operating profit before goodwill, acquired intangibles and strategic actions		**287 683**	**107 440**
Impairment of goodwill	32	—	(8 787)
Amortisation of acquired intangibles	33	(12 936)	(12 851)
Closure and rundown of the Hong Kong direct investments business		(1 203)	7 387
Profit before taxation		**273 544**	**93 189**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(42 174)	(31 270)
Taxation on goodwill, acquired intangibles and strategic actions	10	1 511	1 029
Profit after taxation		**232 881**	**62 948**
Loss attributable to non-controlling interests		—	861
Earnings attributable to shareholder		**232 881**	**63 809**

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2022	2021
Profit after taxation		**232 881**	**62 948**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement*	10	(307)	821
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	10	(2 276)	(228)
Foreign currency adjustments on translating foreign operations		5 401	(3 771)
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	10	617	380
Items that will not be reclassified to the income statement:			
Gains attributable to own credit risk*		11 059	62
Movement in post-retirement benefit liabilities		40	(39)
Total comprehensive income		**247 415**	**60 173**
Total comprehensive loss attributable to non-controlling interests		—	(861)
Total comprehensive income attributable to ordinary shareholder		230 540	44 159
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities		16 875	16 875
Total comprehensive income		**247 415**	**60 173**

* Net of £4.2 million tax credit (31 March 2021: £0.2 million tax credit), except for the impact of rate changes on deferred tax as shown separately above.

BALANCE SHEETS

At 31 March £'000	Notes	Group 2022	Group 2021
Assets			
Cash and balances at central banks	17	5 379 994	3 043 034
Loans and advances to banks	18	1 467 039	1 383 602
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 447 473	2 065 232
Sovereign debt securities	20	1 165 777	1 108 253
Bank debt securities	21	61 714	48 044
Other debt securities	22	437 649	708 845
Derivative financial instruments	23	717 457	773 334
Securities arising from trading activities	24	163 165	281 645
Investment portfolio	25	333 221	350 941
Loans and advances to customers	26	14 426 475	12 316 313
Other loans and advances	26	147 025	162 456
Other securitised assets	27	93 087	107 259
Interests in associated undertakings and joint venture holdings	28	11 444	4 213
Deferred taxation assets	29	109 542	109 849
Current taxation assets		15 727	42 620
Other assets	30	1 161 549	1 395 915
Property and equipment	31	155 055	185 502
Goodwill	32	244 072	244 072
Software	33	7 066	7 791
Other acquired intangible assets	33	44 145	56 618
		27 588 676	**24 395 538**
Liabilities			
Deposits by banks		2 026 573	1 352 279
Derivative financial instruments	23	863 295	916 352
Other trading liabilities	35	42 944	49 055
Repurchase agreements and cash collateral on securities lent	19	154 828	157 357
Customer accounts (deposits)		18 616 233	16 240 634
Debt securities in issue	36	1 120 841	1 193 378
Liabilities arising on securitisation of other assets	27	95 885	108 281
Current taxation liabilities		2 082	37 287
Deferred taxation liabilities	29	—	20 652
Other liabilities	37	1 360 071	1 183 862
		24 282 752	**21 259 137**
Subordinated liabilities	38	758 739	771 481
		25 041 491	**22 030 618**
Equity			
Ordinary share capital	39	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		1 667	(12 827)
Retained income		661 420	494 092
Shareholder's equity excluding non-controlling interests		**2 296 352**	**2 114 530**
Additional Tier 1 securities in issue	40	250 000	250 000
Non-controlling interests in partially held subsidiaries	41	833	390
Total equity		**2 547 185**	**2 364 920**
Total liabilities and equity		**27 588 676**	**24 395 538**

Ruth Leas
Chief Executive
21 June 2022

BALANCE SHEETS
CONTINUED

At 31 March £'000	Notes	Company 2022	 2021
Assets			
Cash and balances at central banks	17	5 326 533	2 993 119
Loans and advances to banks	18	535 738	454 596
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 447 473	2 065 232
Sovereign debt securities	20	323 494	542 016
Bank debt securities	21	57 844	43 781
Other debt securities	22	1 144 024	1 401 707
Derivative financial instruments	23	672 124	742 869
Securities arising from trading activities	24	163 165	278 074
Investment portfolio	25	70 229	67 948
Loans and advances to customers	26	10 930 443	9 360 090
Other loans and advances	26	3 027 162	2 813 729
Other securitised assets	27	5 083	5 774
Interests in associated undertakings and joint venture holdings	28	2 167	584
Deferred taxation assets	29	70 214	70 858
Current taxation assets		28 997	39 236
Other assets	30	615 033	702 351
Property and equipment	31	70 514	84 837
Software	33	34	545
Investment in subsidiaries	53	827 599	845 839
		25 317 870	**22 513 185**
Liabilities			
Deposits by banks		2 214 555	1 451 745
Derivative financial instruments	23	828 405	885 793
Other trading liabilities	35	42 944	49 055
Repurchase agreements and cash collateral on securities lent	19	197 903	157 357
Customer accounts (deposits)		17 290 014	15 493 774
Debt securities in issue	36	1 119 658	1 163 050
Current taxation liabilities		—	140
Deferred taxation liabilities	29	—	6 288
Other liabilities	37	676 409	528 547
		22 369 888	**19 735 749**
Subordinated liabilities	38	758 739	771 481
		23 128 627	**20 507 230**
Equity			
Ordinary share capital	39	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		(2 901)	(12 915)
Retained income		308 879	135 605
Shareholder's equity excluding non-controlling interests		**1 939 243**	**1 755 955**
Additional Tier 1 securities in issue	40	250 000	250 000
Total equity		**2 189 243**	**2 005 955**
Total liabilities and equity		**25 317 870**	**22 513 185**

The Company's profit for the year, determined in accordance with the Companies Act 2006, was £240.1 million (2021: £70.2 million).

Ruth Leas
Chief Executive
21 June 2022

CASH FLOW STATEMENTS

For the year to 31 March £'000	Notes	Group 2022	 2021	Company 2022	 2021
Profit before taxation adjusted for non-cash items	43	350 162	193 584	178 254	72 775
Taxation paid		(53 294)	(52 385)	(17 732)	(37 737)
Dividends received from subsidiaries*		—	—	147 848	98 537
(Increase)/decrease in operating assets	43	(823 132)	472 934	(424 376)	24 318
Increase/(decrease) in operating liabilities	43	3 076 202	(167 411)	2 608 741	116 562
Net cash inflow from operating activities		**2 549 938**	**446 722**	**2 492 735**	**274 455**
Cash flow on acquisition of Group operations and subsidiaries		—	—	(21 984)	(50)
Cash flow on disposal of Group operations and subsidiaries		14 274	20 388	3 016	—
Derecognition of cash on disposal of subsidiaries		(4 152)	(7 799)	—	—
Cash flow on net disposal of non-controlling interest		443	7 239	—	—
Cash flow on net acquisition of associates and joint venture holdings		(8 780)	—	—	—
Cash flow on acquisition of property, equipment, software and other intangible assets		(4 931)	(7 236)	(1 573)	(481)
Cash flow on disposal of property, equipment, software and other intangible assets		4 273	318	(677)	439
Return of capital by subsidiary		—	—	24 280	—
Net cash inflow from investing activities		**1 127**	**12 910**	**3 062**	**(92)**
Dividends paid to ordinary shareholder		(56 500)	(11 000)	(56 500)	(11 000)
Dividends paid to other equity holders		(16 875)	(16 875)	(16 875)	(16 875)
Proceeds from issue of subordinated debt		347 536	—	347 536	—
Redemption of subordinated debt		(307 962)	—	(307 962)	—
Lease liabilities paid		(43 253)	(53 454)	(8 375)	(10 071)
Net cash outflow from financing activities		**(77 054)**	**(81 329)**	**(42 176)**	**(37 946)**
Effects of exchange rate changes on cash and cash equivalents		**(607)**	**5 872**	**(279)**	**1 606**
Net increase in cash and cash equivalents		**2 473 404**	**384 175**	**2 453 342**	**238 023**
Cash and cash equivalents at the beginning of the year		4 367 635	3 983 460	3 402 935	3 164 912
Cash and cash equivalents at the end of the year		**6 841 039**	**4 367 635**	**5 856 277**	**3 402 935**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		5 379 994	3 043 034	5 326 533	2 993 119
On demand loans and advances to banks		1 461 045	1 324 601	529 744	409 816
Cash and cash equivalents at the end of the year		**6 841 039**	**4 367 635**	**5 856 277**	**3 402 935**

* In the Company, dividends from investment in subsidiaries have been separately shown as a cash flow from operating activities for the current and prior year. It was previously presented in the line operating profit adjusted for non-cash items and other required adjustments.

Cash and cash equivalents have a maturity profile of less than three months. Loans and advances to banks with a maturity profile of greater than three months are £6.0 million (31 March 2021: £59.0 million) for Group. Company £6.0 million (31 March 2021: £44.8 million).

The Group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £43.2 million (31 March 2021: £35.9 million). These deposits are not available to finance the Group's day-to-day operations.

05 Annual financial statements

Investec Bank plc Annual Financial Statements 2022

STATEMENT OF CHANGES IN EQUITY

CONTINUED

				Other reserves							
£'000	Ordinary share capital	Share premium	Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
Group											
At 1 April 2020	**1 280 550**	**199 538**	**153 177**	**2 469**	**(1 356)**	**(12 184)**	**455 609**	**2 077 803**	**250 000**	**3 369**	**2 331 172**
Movement in reserves 1 April 2020 – 31 March 2021											
Profit after taxation	—	—	—	—	—	—	63 809	63 809	—	(861)	62 948
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(19)	—	399	—	380	—	—	380
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	821	—	—	—	821	—	—	821
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	(228)	—	—	—	(228)	—	—	(228)
Foreign currency adjustments on translating foreign operations	—	—	—	—	(3 771)	—	—	(3 771)	—	—	(3 771)
Gains attributable to own credit risk	—	—	—	—	—	62	—	62	—	—	62
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	(39)	(39)	—	—	(39)
Total comprehensive income for the year	**—**	**—**	**—**	**574**	**(3 771)**	**461**	**63 770**	**61 034**	**—**	**(861)**	**60 173**
Share-based payments adjustments	—	—	—	—	—	—	107	107	—	—	107
Employee benefit liability recognised	—	—	—	—	—	—	3 729	3 729	—	—	3 729
Dividends paid to ordinary shareholder	—	—	—	—	—	—	(11 000)	(11 000)	—	—	(11 000)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 875)	—	(16 875)
Transfer from foreign currency reserve	—	—	—	—	980	—	(980)	—	—	—	—
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	(268)	(268)	—	(2 118)	(2 386)
At 31 March 2021	**1 280 550**	**199 538**	**153 177**	**3 043**	**(4 147)**	**(11 723)**	**494 092**	**2 114 530**	**250 000**	**390**	**2 364 920**
Movement in reserves 1 April 2021 – 31 March 2022											
Profit after taxation	—	—	—	—	—	—	232 881	232 881	—	—	232 881
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(47)	—	664	—	617	—	—	617
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(307)	—	—	—	(307)	—	—	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	(2 276)	—	—	—	(2 276)	—	—	(2 276)
Foreign currency adjustments on translating foreign operations	—	—	—	—	5 401	—	—	5 401	—	—	5 401
Gains attributable to own credit risk	—	—	—	—	—	11 059	—	11 059	—	—	11 059
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	40	40	—	—	40
Total comprehensive income for the year	**—**	**—**	**—**	**(2 630)**	**5 401**	**11 723**	**232 921**	**247 415**	**—**	**—**	**247 415**
Share-based payments adjustments	—	—	—	—	—	—	3 637	3 637	—	—	3 637
Employee benefit liability recognised	—	—	—	—	—	—	4 145	4 145	—	—	4 145
Dividends paid to ordinary shareholder	—	—	—	—	—	—	(56 500)	(56 500)	—	—	(56 500)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 875)	—	(16 875)
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	—	—	—	443	443
At 31 March 2022	**1 280 550**	**199 538**	**153 177**	**413**	**1 254**	**—**	**661 420**	**2 296 352**	**250 000**	**833**	**2 547 185**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

£'000	Ordinary share capital	Share premium	Capital reserve account	Other reserves: Fair value reserve	Other reserves: Foreign currency reserves	Other reserves: Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	**Total equity**
Company										
At 1 April 2020	**1 280 550**	**199 538**	**153 177**	**1 913**	**(4 347)**	**(12 184)**	**90 468**	**1 709 115**	**250 000**	**1 959 115**
Movement in reserves 1 April 2020 – 31 March 2021										
Profit after taxation	—	—	—	—	—	—	70 216	70 216	—	70 216
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(19)		399	—	380	—	380
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	818	—	—	—	818	—	818
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	777	—	—	—	777	—	777
Foreign currency adjustments on translating foreign operations	—	—	—	—	(334)	—	—	(334)	—	(334)
Gains attributable to own credit risk						62	—	62	—	62
Total comprehensive income for the year	**—**	**—**	**—**	**1 576**	**(334)**	**461**	**70 216**	**71 919**	**—**	**71 919**
Share-based payments adjustments	—	—	—		—	—	107	107	—	107
Employee benefit liability recognised	—	—	—	—	—	—	2 689	2 689	—	2 689
Dividends paid to ordinary shareholder	—	—	—	—	—	—	(11 000)	(11 000)	—	(11 000)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 875)	(16 875)
At 31 March 2021	**1 280 550**	**199 538**	**153 177**	**3 489**	**(4 681)**	**(11 723)**	**135 605**	**1 755 955**	**250 000**	**2 005 955**
Movement in reserves 1 April 2021 – 31 March 2022										
Profit after taxation	—	—	—	—	—	—	240 131	240 131	—	240 131
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(47)		664	—	617	—	617
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(329)	—	—	—	(329)	—	(329)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	(1 365)	—	—	—	(1 365)	—	(1 365)
Foreign currency adjustments on translating foreign operations	—	—	—	—	32	—	—	32	—	32
Gains attributable to own credit risk	—	—	—	—	—	11 059	—	11 059	—	11 059
Total comprehensive income for the year	**—**	**—**	**—**	**(1 741)**	**32**	**11 723**	**240 131**	**250 145**	**—**	**250 145**
Share-based payments adjustments	—	—	—	—	—	—	3 477	3 477	—	3 477
Employee benefit liability recognised	—	—	—	—	—	—	3 041	3 041	—	3 041
Dividends paid to ordinary shareholder	—	—	—	—	—	—	(56 500)	(56 500)	—	(56 500)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 875)	(16 875)
At 31 March 2022	**1 280 550**	**199 538**	**153 177**	**1 748**	**(4 649)**	**—**	**308 879**	**1 939 243**	**250 000**	**2 189 243**

05 Annual financial statements

Investec Bank plc Annual Financial Statements 2022

STATEMENT OF CHANGES IN EQUITY
CONTINUED

ACCOUNTING POLICIES

Basis of presentation

These Group and Company annual financial statements have been prepared in accordance with UK adopted international accounting standards and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union (EU).

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

As stated on page 144, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 48 to 112.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 149 to 165.

Basis of consolidation

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

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

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

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

Entities, other than subsidiary undertakings, in which the Group exercises significant influence or joint control over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence 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 consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The Group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the Group's share of the net assets of the associated undertakings and joint venture holdings.

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

Investments in subsidiaries and interests in associated undertakings and joint venture holdings are carried at their cost less any accumulated impairment in the Company financial statements.

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 three principal business divisions namely, Wealth & Investment, Private Banking and Corporate, Investment Banking, and Other.

For further detail on the Group's segmental basis, refer to the divisional review section of the integrated annual report.

ACCOUNTING POLICIES
CONTINUED

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

Share-based payments to employees

The Group engages in equity-settled share-based payments in respect of services received from employees. These are the shares of the Company's parent, Investec plc, and are accounted for as equity-settled share-based payments as at Investec plc level but, in accordance with IFRS 2, as cash-settled share-based payment transactions by subsidiaries of Investec plc.

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.

Employee benefits

The Group operates various defined contribution schemes.

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

Foreign currency transactions and foreign operations

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

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

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

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

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

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

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

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

Revenue recognition

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

Interest income on debt instruments at amortised cost or FVOCI is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the 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.

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

Fair value measurement

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

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

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

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

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

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

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

Financial instruments

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

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

The standard sets out different types of business models:

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

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

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

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

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

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

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.

ACCOUNTING POLICIES
CONTINUED

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. There is a common definition across the Bank's exposures regarding what constitutes a significant PD movement. The test involves both an absolute and relative movement threshold. An asset is considered to have been subjected to a significant increase in credit risk if the appropriate PD has doubled relative to the value at origination and on an absolute basis has increased by more than 1%. Any asset with an original rating that is classified as investment grade will be judged to have had a significant movement if the new PD would classify it as sub-investment grade and the equivalent rating has moved by more than three notches.

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A Group of financial liabilities or both financial assets and financial liabilities is managed and 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.

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

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

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

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

Derivative positions are entered into either for trading purposes or as part of the Group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

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 hedge accounting of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

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

- At inception of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- 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 hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

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

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

ACCOUNTING POLICIES
CONTINUED

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 page 101 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 Bank plc are recorded as non-controlling interests on the balance sheet.

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

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 Bank plc shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

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

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

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

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

Financial guarantees

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

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the expected credit loss. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

ACCOUNTING POLICIES
CONTINUED

Property and equipment

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

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

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

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the Group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

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

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

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

Leases

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

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

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

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

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

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

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

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

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

Trading properties

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

Software and intangible assets

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

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

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

ACCOUNTING POLICIES
CONTINUED

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

Taxation and deferred taxation

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

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

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

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

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

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

Borrowing costs

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

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 pages 85 to 87 in section 3, pages 144 to 146 of section 3 and throughout section 5 of the annual financial statements
- 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
CONTINUED

- 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 14.
  Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on page 89.
- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the Group's assessment of ECLs, including our assessment of the impact of COVID-19 and the Russian invasion of Ukraine, can be found on pages 85 to 87.
- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:
  - The assessment of a significant increase in credit risk;
  - A range of forward-looking probability weighted macro-economic scenarios; and
  - Estimations of probabilities of default, loss given default and exposures at default using models.

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

  Following a detailed review of the outcome of the ECL models, management raised an additional overlay provision in the UK. Detail of the approach followed and management's assumptions are set out on page 85 of section 3.
- The Group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The Group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the Group in order to determine if an exposure should be measured based on the most likely amount or expected value.
- 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.
- 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

ACCOUNTING POLICIES
CONTINUED

- 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 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.
- 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.
- 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 FINANCIAL STATEMENTS

1. Segmental business analysis – income statement

For the year to 31 March 2022 £'000	Private Client Wealth & Investment	Specialist Banking Private Banking	Specialist Banking Corporate, Investment Banking and Other	Total Group
Net interest income	2 268	70 692	423 348	496 308
Fee and commission income	344 685	1 579	162 665	508 929
Fee and commission expense	(656)	(23)	(14 018)	(14 697)
Investment income	(2)	816	9 765	10 579
Share of post-taxation profit of associates and joint venture holdings	—	—	1 988	1 988
Trading income/(loss) arising from				
– customer flow	1 194	2 228	56 950	60 372
– balance sheet management and other trading activities	(307)	2	(1 000)	(1 305)
Other operating income	—	—	11 158	11 158
Total operating income before expected credit loss impairment charges	**347 182**	**75 294**	**650 856**	**1 073 332**
Expected credit loss impairment charges	(5)	(2 432)	(22 926)	(25 363)
Operating income	**347 177**	**72 862**	**627 930**	**1 047 969**
Operating costs	(259 496)	(42 034)	(458 756)	(760 286)
Operating profit before goodwill, acquired intangibles and strategic actions	**87 681**	**30 828**	**169 174**	**287 683**
Loss attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit after non-controlling interests	**87 681**	**30 828**	**169 174**	**287 683**
Selected returns and key statistics				
Cost to income ratio	74.7%	55.8%	70.5%	70.8%
Total assets (£'mn)	1 137	4 528	21 924	27 589

NOTES TO THE FINANCIAL STATEMENTS
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1. Segmental business analysis – income statement (continued)

For the year to 31 March 2021 £'000	Private Client Wealth & Investment	Specialist Banking Private Banking	Specialist Banking Corporate, Investment Banking and Other	Total Group
Net interest income	2 296	34 664	377 131	414 091
Fee and commission income	316 813	705	182 153	499 671
Fee and commission expense	(773)	(61)	(12 367)	(13 201)
Investment income	272	19	23 529	23 820
Share of post-taxation profit of associates and joint venture holdings	—	—	1 768	1 768
Trading income/(loss) arising from				
– customer flow	920	1 196	(13 141)	(11 025)
– balance sheet management and other trading activities	(9)	13	11 202	11 206
Other operating income	—	—	10 002	10 002
Total operating income before expected credit loss impairment charges	**319 519**	**36 536**	**580 277**	**936 332**
Expected credit loss impairment release/(charges)	(4)	(1 515)	(69 615)	(71 134)
Operating income	**319 515**	**35 021**	**510 662**	**865 198**
Operating costs	(245 175)	(38 033)	(474 550)	(757 758)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**74 340**	**(3 012)**	**36 112**	**107 440**
Profit attributable to other non-controlling interests	—	—	861	861
Adjusted operating profit/(loss) after non-controlling interests	**74 340**	**(3 012)**	**36 973**	**108 301**
Selected returns and key statistics				
Cost to income ratio	76.7%	104.1%	81.7%	80.9%
Total assets (£'mn)	1 016	3 338	20 042	24 396

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Net interest income

For the year to 31 March £'000	Notes	2022 Average balance sheet value	2022 Interest income	2022 Average yield	2021 Average balance sheet value	2021 Interest income	2021 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	8 070 458	24 438	0.30%	7 709 727	27 778	0.36%
Loans and advances	2	13 423 611	623 975	4.65%	12 142 660	578 446	4.76%
Private client		4 013 304	123 740	3.08%	2 873 101	84 191	2.93%
Corporate, institutional and other clients		9 410 307	500 235	5.32%	9 269 559	494 255	5.33%
Other debt securities and other loans and advances		652 331	18 047	2.77%	912 818	34 207	3.75%
Other#	3	233 801	53 078	n/a	287 831	61 695	n/a
		22 380 201	**719 538**		**21 053 036**	**702 126**	

For the year to 31 March £'000	Notes	2022 Average balance sheet value	2022 Interest expense	2022 Average yield	2021 Average balance sheet value	2021 Interest expense	2021 Average yield
Deposits by banks and other debt-related securities	4	2 813 105	18 114	0.64%	2 794 305	27 636	0.99%
Customer accounts (deposits)		17 035 633	93 229	0.55%	16 218 480	131 227	0.81%
Subordinated liabilities		870 954	49 467	5.68%	789 555	48 145	6.10%
Other#	5	363 193	62 420	n/a	436 350	81 027	n/a
		21 082 885	**223 230**		**20 238 690**	**288 035**	
Net interest income			**496 308**			**414 091**	
Net interest margin			**2.22%**			**1.97%**	

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

3. Net fee and commission income

For the year to 31 March £'000	2022	2021
Wealth & Investment businesses net fee and commission income	**344 029**	**316 040**
Fund management fees/fees for assets under management	301 950	267 381
Private client transactional fees	42 735	49 432
Fee and commission expense	(656)	(773)
Specialist Banking net fee and commission income	**150 203**	**170 430**
Specialist Banking fee and commission income	164 244	182 858
Specialist Banking fee and commission expense	(14 041)	(12 428)
Net fee and commission income	**494 232**	**486 470**
Annuity fees (net of fees payable)	317 990	284 109
Deal fees	176 242	202 361

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4. Investment income

For the year to 31 March £'000	2022	2021
Realised	28 988	37 878
Unrealised*	(26 994)	(20 288)
Dividend income	6 917	3 927
Funding and other net related income	1 668	2 303
	10 579	**23 820**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2022								
Realised	2 414	18 028	552	20 994	512	(4 383)	11 865	28 988
Unrealised*	(4 169)	2 082	1 176	(911)	(457)	4 274	(29 900)	(26 994)
Dividend income	37	6 667	—	6 704	—	—	213	6 917
Funding and other net related income	—	—	—	—	—	1 668	—	1 668
	(1 718)	**26 777**	**1 728**	**26 787**	**55**	**1 559**	**(17 822)**	**10 579**
2021								
Realised	9 363	971	13	10 347	6 121	(1 755)	23 165	37 878
Unrealised*	6 449	8 229	(35)	14 643	(2 967)	(3 141)	(28 823)	(20 288)
Dividend income	21	3 906	—	3 927	—	—	—	3 927
Funding and other net related income	—	—	—		—	2 303	—	2 303
	15 833	**13 106**	**(22)**	**28 917**	**3 154**	**(2 593)**	**(5 658)**	**23 820**

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

5. Other operating income

For the year to 31 March £'000	2022	2021
Losses on realisation of properties	—	(73)
Unrealised gains on other investments	1 786	1 612
Income from operating leases	1 539	4 245
Income from government grants*	7 833	4 218
	11 158	**10 002**

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

6. Expected credit loss impairment charges or (release)

For the year to 31 March £'000	2022	2021
Expected credit losses have arisen on the following items:		
Loans and advances to customers	22 024	65 270
Other loans and advances	14	(80)
Other balance sheet assets	3 824	604
Off-balance sheet commitments and guarantees	(499)	5 340
	25 363	**71 134**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Operating costs

For the year to 31 March £'000	2022	2021
Staff compensation costs	541 781	565 545
Salaries and wages (including directors' remuneration)**	442 766	468 964
Share-based payment expense	21 476	22 777
Social security costs	49 335	44 812
Pensions and provident fund contributions	28 204	28 992
Training and other costs	11 986	3 857
Staff costs	553 767	569 402
Premises expenses	40 813	41 060
Premises expenses (excluding depreciation and impairments)	16 675	17 665
Premises depreciation and impairments	24 138	23 395
Equipment expenses (excluding depreciation)	54 266	49 305
Business expenses*	90 407	79 324
Marketing expenses	13 028	8 639
Depreciation, amortisation and impairment of equipment, software and intangibles	8 005	10 028
	760 286	**757 758**
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	**6 158**	**5 781**
Audit of the Group's accounts	2 891	2 619
Audit of the Group's subsidiaries pursuant to legislation	2 265	2 450
Audit related assurance services	1 002	712
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
Total	**6 520**	**6 160**

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
** Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 149 to 165.

During the year, the average number of permanent employees was 3 432 (2021: 3 729).

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NOTES TO THE FINANCIAL STATEMENTS
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8. Share-based payments

The Investec Group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis in Investec plc but in accordance with IFRS 2 are cash-settled in the Company as set out in the accounting policies on pages 188 to 199. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec Group's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Group.

Further information on the Group share options and long-term incentive plans is provided on our website.

For the year to 31 March £'000	2022	2021
Share-based payment expense:		
Cash-settled (equity-settled at Investec plc)	**21 476**	**22 777**

Group

For the year to 31 March £'000	2022	2021
Weighted average fair value of awards granted in the year		
UK schemes	**39 856**	**9 627**

	2022		2021	
Details of awards outstanding during the year	**Number of share awards**	**Weighted average exercise price £**	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	18 416 191	0.02	17 751 435	0.02
Sale of business	(94 076)	0.00	—	0.00
Transfer of employees during the year	(68 376)	0.00	—	0.00
Granted during the year	13 332 426	0.00	6 552 280	0.00
Exercised during the year^	(4 835 026)	0.00	(4 902 226)	0.00
Awards forfeited during the year	(1 810 130)	0.04	(985 298)	0.21
Outstanding at the end of the year	**24 941 009**	**0.00**	**18 416 191**	**0.01**
Exercisable at the end of the year	**481 443**	**—**	**396 484**	**—**

^ The weighted average share price during the year was £3.40 (2021: £1.73).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments (continued)

Additional information relating to awards:	2022	2021
Options with strike prices		
Exercise price range	£3.58 - £4.18	£3.58 - £4.18
Weighted average remaining contractual life	0.22 years	0.71 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.15 years	1.93 years
Weighted average fair value of awards and long-term grants at measurement date	£2.99	£1.47
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£3.06 - £3.80	£1.56 - £1.93
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	3 - 7.01 years	0.50 - 7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

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

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

Company

For the year to 31 March £'000	2022	2021
UK schemes	34 627	6 771

Details of awards outstanding during the year	2022 Number of share awards	2022 Weighted average exercise price £	2021 Number of share awards	2021 Weighted average exercise price £
Outstanding at the beginning of the year	11 556 757	0.00	10 421 333	0.00
Transfer of employees during the year	25 014	0.00	—	0.00
Granted during the year	11 612 608	0.00	4 558 796	0.00
Exercised during the year^	(2 308 461)	0.00	(2 642 459)	0.00
Awards forfeited during the year	(1 506 038)	0.00	(780 913)	0.01
Outstanding at the end of the year	**19 379 880**	**0.00**	**11 556 757**	**0.00**
Exercisable at the end of the year	**217 307**	**—**	**137 902**	**—**

^ The weighted average share price during the year was £3.40 (2021: £1.73).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments (continued)

Additional information relating to awards:	2022	2021
Company		
Options with strike prices		
Exercise price range	n/a	n/a
Weighted average remaining contractual life	n/a	n/a
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.28 years	2.04 years
Weighted average fair value of awards and long-term grants at measurement date	£3.00	£1.48
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£3.06- £3.80	£1.56- £1.93
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	3- 7.01 years	0.50 - 7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

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

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

9. Long-term employment benefits

Group

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

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards. Accordingly, this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £5 354 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and as a result was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2022 was £3.0 million (31 March 2021: £6.6 million).

Details of awards outstanding during the year	2022 Number of Ninety One awards	2022 Weighted average exercise price £	2021 Number of Ninety One awards	2021 Weighted average exercise price £
Outstanding at the beginning of the year	5 600 071	0.00	7 625 659	0.00
Sale of business	(30 412)	0.00	—	0.00
Transfer of employees during the year	(14 039)	0.00	1 863	0.00
Exercised during the year	(1 677 112)	0.00	(1 719 729)	0.00
Awards forfeited during the year	(258 197)	0.12	(307 722)	0.26
Outstanding at the end of the year	**3 620 311**	**0.01**	**5 600 071**	**0.00**
Exercisable at the end of the year	**234 104**	**—**	**197 285**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Long-term employment benefits (continued)

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

Additional information relating to awards:	2022	2021
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Listed share price at 31 March	£2.55	£2.39
– Exercise price	Nil, £2.90 - £3.39	Nil, £2.90 - £3.39
– Expected volatility	35.0%	35.4%
– Award life	0 - 4.42 years	0 - 5.42 years
– Expected dividend yields	0% - 7.41%	0% - 4.66%
– Risk-free rate	0.69% - 2.03%	0% - 0.73%

Company

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

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £3 987 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2022 was £2.0 million (31 March 2021: £4.4 million).

	2022		2021	
Details of awards outstanding during the year	Number of Ninety One awards	Weighted average exercise price £	Number of Ninety One awards	Weighted average exercise price £
Outstanding at the beginning of the year	3 739 502	0.00	5 208 521	0.00
Transfer of employees during the year	64 071	0.00	(13 507)	0.00
Exercised during the year^	(1 186 885)	0.00	(1 210 348)	0.00
Awards forfeited during the year	(196 088)	0.00	(245 164)	0.01
Outstanding at the end of the year	**2 420 600**	**0.00**	**3 739 502**	**0.00**
Exercisable at the end of the year	**121 535**	**—**	**109 955**	**—**

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

Additional information relating to awards:	2022	2021
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Listed share price at 31 March	£2.55	£2.39
– Exercise price	£nil	£nil
– Expected volatility	35.0%	35.4%
– Award life	0 - 4.42 years	0 - 5.42 years
– Expected dividend yields	0% - 6.97%	0% - 4.63%
– Risk-free rate	0.85% - 2.03%	0% - 0.73%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation

For the year to 31 March £'000	2022	2021
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	60 793	11 290
Adjustments in respect of prior years	73	(390)
Corporation tax before double tax relief	**60 866**	**10 900**
Double tax relief	(436)	—
	60 430	**10 900**
Europe	1 202	1 152
Australia	329	74
Other*	3 055	931
	4 586	**2 157**
Total current taxation	**65 016**	**13 057**
Deferred taxation		
UK	(22 138)	4 665
Europe	(2 447)	(116)
Australia	1 008	13 722
Other	(776)	(1 087)
Total deferred taxation	**(24 353)**	**17 184**
Total taxation charge for the year	**40 663**	**30 241**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	42 174	31 270
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(1 511)	(1 029)
	40 663	**30 241**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(9 387)	16 174
Changes in taxation rates	(12 655)	154
Adjustment in respect of prior years	(2 311)	856
	(24 353)	**17 184**
The deferred taxation (credit)/charge in the income statement arose from:		
Deferred capital allowances	(8 371)	(2 862)
Income and expenditure accruals	(2 644)	15 899
Asset in respect of unexpired options	(13 385)	(2 233)
Unrealised fair value adjustment on financial instruments	(2 987)	620
Movement in deferred tax assets related to assessed losses	4 120	5 925
Asset in respect of pension surplus	(68)	—
Deferred tax on acquired intangibles	(1 149)	(2 379)
Other temporary differences	131	2 214
	(24 353)	**17 184**
The deferred taxation charge in OCI/equity arose from:		
Asset in respect of unexpired options	(4 538)	(107)
Unrealised fair value adjustment on financial instruments	8 215	3 243
	3 677	**3 136**

* Where Other largely includes India and North America.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation (continued)

For the year to 31 March £'000	2022	2021
The rates of corporation tax for the relevant years are:	**%**	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**273 544**	**93 189**
Taxation on profit before taxation	**40 663**	**30 241**
Effective tax rate	**14.9%**	**32.5%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2021: 19%)	51 973	17 706
Taxation adjustments relating to foreign earnings	(1 778)	2 982
Taxation relating to prior years	(2 238)	466
Impairment of goodwill and non-operating items	(199)	1 695
Share options accounting expense	(4 285)	(188)
Non-taxable income	(865)	(4 616)
Net other permanent differences	1 090	281
Bank surcharge	10 481	—
Capital gains – non-taxable/covered by losses	(2 160)	(1 907)
Movement in unrecognised trading losses	1 299	13 668
Change in tax rate	(12 655)	154
Total taxation charge as per income statement	**40 663**	**30 241**
Other comprehensive income taxation effects		
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement	(307)	821
Pre-taxation	(429)	1 013
Taxation effect	122	(192)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 276)	(228)
Pre-taxation	(2 657)	(93)
Taxation effect	381	(135)
Own credit risk	11 059	62
Pre-taxation	15 792	417
Taxation effect	(4 733)	(355)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 875)	(16 875)
Pre-taxation	(16 875)	(16 875)
Taxation effect	—	—
Share-based payment adjustment	4 538	107
Pre-taxation	—	—
Taxation effect	4 538	107
IFRS 9 transitional adjustments	617	380
Pre-taxation	—	—
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.

NOTES TO THE FINANCIAL STATEMENTS
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11. Dividends

For the year to 31 March £'000	2022	2021
Ordinary dividends		
Dividends for current year	56 500	11 000
Total dividends attributable to ordinary shareholder	**56 500**	**11 000**

For the year to 31 March £'000	2022	2021
Dividend attributable to Additional Tier 1 securities	**16 875**	**16 875**

The £200 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities), issued on 16 October 2018, pay a distribution rate of 6.75% per annum quarterly.

A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 000 000 2024 notes issued on 16 October 2018.

NOTES TO THE FINANCIAL STATEMENTS
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12. Analysis of income and impairments by category of financial instrument

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2022								
Net interest income	(17 200)	54 104	(26 472)	36 558	446 055	1 538	1 725	496 308
Fee and commission income	16 822	1 407	—	—	68 661	—	422 039	508 929
Fee and commission expense	—	—	—	—	(2 162)	—	(12 535)	(14 697)
Investment income	1 728	25 682	584	1 134	1 214	(19 763)	—	10 579
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	1 988	—	1 988
Trading income/(loss) arising from								
– customer flow	34 630	30 413	(4 671)	—	—	—	—	60 372
– balance sheet management and other trading activities	(102)	(6 580)	7 344	—	(1 967)	—	—	(1 305)
Other operating income	—	—	—	—	1 539	—	9 619	11 158
Total operating income/(expense) before expected credit loss	**35 878**	**105 026**	**(23 215)**	**37 692**	**513 340**	**(16 237)**	**420 848**	**1 073 332**
Expected credit loss impairments charges*	—	—	—	—	(25 363)	—	—	(25 363)
Operating income/(expense)	**35 878**	**105 026**	**(23 215)**	**37 692**	**487 977**	**(16 237)**	**420 848**	**1 047 969**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2021								
Net interest income	(25 802)	61 871	(29 964)	28 312	380 161	2 170	(2 657)	414 091
Fee and commission income	17 766	3 162	—	—	66 675	—	412 068	499 671
Fee and commission expense	—	—	—	—	(2 034)	—	(11 167)	(13 201)
Investment income	(22)	8 767	1 977	(1 012)	2 507	11 603	—	23 820
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	1 768	—	1 768
Trading income/(loss) arising from								
– customer flow	31 165	(7 025)	(35 165)	—	—	—	—	(11 025)
– balance sheet management and other trading activities	2 097	(3 951)	8 012	—	5 048	—	—	11 206
Other operating income	—	—	—	—	4 246	(3)	5 759	10 002
Total operating income/(expense) before expected credit loss	**25 204**	**62 824**	**(55 140)**	**27 300**	**456 603**	**15 538**	**404 003**	**936 332**
Expected credit loss impairments charges*	—	—	—	—	(71 134)	—	—	(71 134)
Operating income/(expense)	**25 204**	**62 824**	**(55 140)**	**27 300**	**385 469**	**15 538**	**404 003**	**865 198**

* Includes off-balance sheet items.

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

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

	At fair value through profit or loss			**At fair value through comprehensive income**				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non-trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Group								
2022								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 379 994	—	5 379 994
Loans and advances to banks	—	—	—	—	—	1 467 039	—	1 467 039
Reverse repurchase agreements and cash collateral on securities borrowed	89 889	540 570	38 649	—	669 108	778 365	—	1 447 473
Sovereign debt securities	—	33 658	—	1 132 119	1 165 777	—	—	1 165 777
Bank debt securities	—	—	—	61 714	61 714	—	—	61 714
Other debt securities	—	144 048	—	—	144 048	293 601	—	437 649
Derivative financial instruments	717 457	—	—	—	717 457	—	—	717 457
Securities arising from trading activities	138 032	4 780	20 353	—	163 165	—	—	163 165
Investment portfolio	—	333 221	—	—	333 221	—	—	333 221
Loans and advances to customers	—	609 083	—	685 386	1 294 469	13 132 006	—	14 426 475
Other loans and advances	—	—	—	—	—	147 025	—	147 025
Other securitised assets	—	—	93 087	—	93 087	—	—	93 087
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	11 444	11 444
Deferred taxation assets	—	—	—	—	—	—	109 542	109 542
Current taxation assets	—	—	—	—	—	—	15 727	15 727
Other assets	9 606	—	—	—	9 606	822 300	329 643	1 161 549
Property and equipment	—	—	—	—	—	—	155 055	155 055
Goodwill	—	—	—	—	—	—	244 072	244 072
Software	—	—	—	—	—	—	7 066	7 066
Other acquired intangible assets	—	—		—	—	—	44 145	44 145
	954 984	**1 665 360**	**152 089**	**1 879 219**	**4 651 652**	**22 020 330**	**916 694**	**27 588 676**
Liabilities								
Deposits by banks	—	—	—	—	—	2 026 573	—	2 026 573
Derivative financial instruments	863 296	—	—	—	863 295	—	—	863 295
Other trading liabilities	42 944	—	—	—	42 944	—	—	42 944
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	154 828	—	154 828
Customer accounts (deposits)	—	—	—	—	—	18 616 233	—	18 616 233
Debt securities in issue	—	—	46 192	—	46 192	1 074 649	—	1 120 841
Liabilities arising on securitisation of other assets	—	—	95 885	—	95 885	—	—	95 885
Current taxation liabilities	—	—	—	—	—	—	2 082	2 082
Deferred taxation liabilities	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	805 880	554 191	1 360 071
	906 239	**—**	**142 077**	**—**	**1 048 316**	**22 678 163**	**556 273**	**24 282 752**
Subordinated liabilities	—	—	—	—	—	758 739	—	758 739
	906 239	**—**	**142 077**	**—**	**1 048 316**	**23 436 902**	**556 273**	**25 041 491**

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

For more information on hedges, please refer to note 47 on pages 266 to 269.

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

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Group								
2021								
Assets								
Cash and balances at central banks	—	—	—	—	—	3 043 034	—	3 043 034
Loans and advances to banks	—	—	—	—	—	1 383 602	—	1 383 602
Reverse repurchase agreements and cash collateral on securities borrowed	38 690	517 037	119 714	—	675 441	1 389 791	—	2 065 232
Sovereign debt securities	—	36 675	—	1 071 578	1 108 253	—	—	1 108 253
Bank debt securities	—	—	—	43 781	43 781	4 263	—	48 044
Other debt securities	—	203 338	—	—	203 338	505 507	—	708 845
Derivative financial instruments	773 334	—	—	—	773 334	—	—	773 334
Securities arising from trading activities	253 932	5 160	22 553	—	281 645	—	—	281 645
Investment portfolio	—	350 941	—	—	350 941	—	—	350 941
Loans and advances to customers	—	511 604	—	534 059	1 045 663	11 270 650	—	12 316 313
Other loans and advances	—	—	—	—	—	162 456	—	162 456
Other securitised assets	—	—	107 259	—	107 259	—	—	107 259
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	4 213	4 213
Deferred taxation assets	—	—	—	—	—	—	109 849	109 849
Current taxation assets	—	—	—	—	—	—	42 620	42 620
Other assets	6 857	—	—	—	6 857	951 818	437 240	1 395 915
Property and equipment	—	—	—	—	—	—	185 502	185 502
Goodwill	—	—	—	—	—	—	244 072	244 072
Software	—	—	—	—	—	—	7 791	7 791
Other acquired intangible assets	—	—		—	—	—	56 618	56 618
	1 072 813	**1 624 755**	**249 526**	**1 649 418**	**4 596 512**	**18 711 121**	**1 087 905**	**24 395 538**
Liabilities								
Deposits by banks	—	—	294	—	294	1 351 985	—	1 352 279
Derivative financial instruments	916 352	—	—	—	916 352	—	—	916 352
Other trading liabilities	49 055	—	—	—	49 055	—	—	49 055
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	157 357	—	157 357
Customer accounts (deposits)	—	—	—	—	—	16 240 634	—	16 240 634
Debt securities in issue	—	—	118 690	—	118 690	1 074 688	—	1 193 378
Liabilities arising on securitisation of other assets	—	—	108 281	—	108 281	—	—	108 281
Current taxation liabilities	—	—	—	—	—	—	37 287	37 287
Deferred taxation liabilities	—	—	—	—	—	—	20 652	20 652
Other liabilities	—	—	—	—	—	612 006	571 856	1 183 862
	965 407	**—**	**227 265**	**—**	**1 192 672**	**19 436 670**	**629 795**	**21 259 137**
Subordinated liabilities	—	—	334 804	—	334 804	436 677	—	771 481
	965 407	**—**	**562 069**	**—**	**1 527 476**	**19 873 347**	**629 795**	**22 030 618**

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

For more information on hedges, please refer to note 47 on pages 266 to 269.

NOTES TO THE FINANCIAL STATEMENTS
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13. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Company								
2022								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 326 533	—	5 326 533
Loans and advances to banks	—	—	—	—	—	535 738	—	535 738
Reverse repurchase agreements and cash collateral on securities borrowed	89 889	540 570	38 649	—	669 108	778 365	—	1 447 473
Sovereign debt securities	—	33 658	—	289 836	323 494	—	—	323 494
Bank debt securities	—	—	—	57 844	57 844	—	—	57 844
Other debt securities	—	143 866	1 261	—	145 127	998 897	—	1 144 024
Derivative financial instruments	672 124	—	—	—	672 124	—	—	672 124
Securities arising from trading activities	138 032	4 780	20 353	—	163 165	—	—	163 165
Investment portfolio	—	70 229	—	—	70 229	—	—	70 229
Loans and advances to customers	—	508 076	—	685 386	1 193 462	9 736 981	—	10 930 443
Other loans and advances	—	572	—	—	572	3 026 590	—	3 027 162
Other securitised assets	—	—	5 083	—	5 083	—	—	5 083
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	2 167	2 167
Deferred taxation assets	—	—	—	—	—	—	70 214	70 214
Current taxation assets	—	—	—	—	—	—	28 997	28 997
Other assets	9 606	—	—	—	9 606	531 429	73 998	615 033
Property and equipment	—	—	—	—	—	—	70 514	70 514
Software	—	—	—	—	—	—	34	34
Investment in subsidiaries	—	—		—	—	—	827 599	827 599
	909 651	**1 301 751**	**65 346**	**1 033 066**	**3 309 814**	**20 934 533**	**1 073 523**	**25 317 870**
Liabilities								
Deposits by banks		—	—	—	—	2 214 555	—	2 214 555
Derivative financial instruments	828 405	—	—	—	828 405	—	—	828 405
Other trading liabilities	42 944	—	—	—	42 944	—	—	42 944
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	197 903	—	197 903
Customer accounts (deposits)	—	—	—	—	—	17 290 014	—	17 290 014
Debt securities in issue	—	—	46 192	—	46 192	1 073 466	—	1 119 658
Current taxation liabilities	—	—	—	—	—	—	—	—
Deferred taxation liabilities	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	482 028	194 381	676 409
	871 349	**—**	**46 192**	**—**	**917 541**	**21 257 966**	**194 381**	**22 369 888**
Subordinated liabilities	—	—	—	—	—	758 739	—	758 739
	871 349	**—**	**46 192**	**—**	**917 541**	**22 016 705**	**194 381**	**23 128 627**

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For more information on hedges, please refer to note 47 on pages 266 to 269.

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

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Company								
2021								
Assets								
Cash and balances at central banks	—	—	—	—	—	2 993 119	—	2 993 119
Loans and advances to banks	—	—	—	—	—	454 596	—	454 596
Reverse repurchase agreements and cash collateral on securities borrowed	38 690	517 037	119 714	—	675 441	1 389 791	—	2 065 232
Sovereign debt securities	—	36 675	—	505 341	542 016	—	—	542 016
Bank debt securities	—	—	—	43 781	43 781	—	—	43 781
Other debt securities	—	203 156	1 410	—	204 566	1 197 141	—	1 401 707
Derivative financial instruments	742 869	—	—	—	742 869	—	—	742 869
Securities arising from trading activities	253 932	1 589	22 553	—	278 074	—	—	278 074
Investment portfolio	—	67 948	—	—	67 948	—	—	67 948
Loans and advances to customers	—	485 299	—	534 059	1 019 358	8 340 732	—	9 360 090
Other loans and advances	—	59 157	—	—	59 157	2 754 572	—	2 813 729
Other securitised assets	—	—	5 774	—	5 774		—	5 774
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	584	584
Deferred taxation assets	—	—	—	—	—	—	70 858	70 858
Current taxation assets	—	—	—	—	—	—	39 236	39 236
Other assets	6 857	—	—	—	6 857	632 593	62 901	702 351
Property and equipment	—	—	—	—	—	—	84 837	84 837
Software	—	—	—	—	—	—	545	545
Investment in subsidiaries	—	—		—	—	—	845 839	845 839
	1 042 348	**1 370 861**	**149 451**	**1 083 181**	**3 645 841**	**17 762 544**	**1 104 800**	**22 513 185**
Liabilities								
Deposits by banks	—	—	—	—	—	1 451 745	—	1 451 745
Derivative financial instruments	885 793	—	—	—	885 793	—	—	885 793
Other trading liabilities	49 055	—	—	—	49 055	—	—	49 055
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	157 357	—	157 357
Customer accounts (deposits)	—	—	—	—	—	15 493 774	—	15 493 774
Debt securities in issue	—	—	118 690	—	118 690	1 044 360	—	1 163 050
Current taxation liabilities	—	—	—	—	—	—	140	140
Deferred taxation liabilities	—	—	—	—	—	—	6 288	6 288
Other liabilities	—	—	—	—	—	375 345	153 202	528 547
	934 848	**—**	**118 690**	**—**	**1 053 538**	**18 522 581**	**159 630**	**19 735 749**
Subordinated liabilities	—	—	334 804	—	334 804	436 677	—	771 481
	934 848	**—**	**453 494**	**—**	**1 388 342**	**18 959 258**	**159 630**	**20 507 230**

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

For more information on hedges, please refer to note 47 on pages 266 to 269.

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14. Fair value hierarchy

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

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

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

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

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2022				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	—	669 108	—
Sovereign debt securities	1 165 777	1 165 777	—	—
Bank debt securities	61 714	61 714	—	—
Other debt securities	144 048	—	39 017	105 031
Derivative financial instruments	717 457	19	673 488	43 950
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	333 221	2 034	6 552	324 635
Loans and advances to customers*	1 294 469	—	82 621	1 211 848
Other securitised assets	93 087	—	—	93 087
Other assets	9 606	9 606	—	—
	4 651 652	**1 397 363**	**1 470 958**	**1 783 331**
Liabilities				
Derivative financial instruments	863 295	—	817 526	45 769
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
Liabilities arising on securitisation of other assets	95 885	—	—	95 885
	1 048 316	**42 944**	**863 718**	**141 654**
Net assets at fair value	**3 603 336**	**1 354 419**	**607 240**	**1 641 677**

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

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

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

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2021				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	1 108 253	1 108 253	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	203 338	—	99 934	103 404
Derivative financial instruments	773 334	19	746 510	26 805
Securities arising from trading activities	281 645	275 526	959	5 160
Investment portfolio	350 941	9 149	4 841	336 951
Loans and advances to customers*	1 045 663	—	—	1 045 663
Other securitised assets	107 259	—	—	107 259
Other assets	6 857	6 857	—	—
	4 596 512	**1 443 585**	**1 527 685**	**1 625 242**
Liabilities				
Deposits by banks	294	—	—	294
Derivative financial instruments	916 352	—	888 612	27 740
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Liabilities arising on securitisation of other assets	108 281	—	—	108 281
Subordinated liabilities	334 804	334 804	—	—
	1 527 476	**373 203**	**1 017 958**	**136 315**
Net assets at fair value	**3 069 036**	**1 070 382**	**509 727**	**1 488 927**

* 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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14. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Group					
Assets					
Balance as at 1 April 2020	**339 086**	**1 067 376**	**106 218**	**178 840**	**1 691 520**
Total gains or (losses)	1 809	21 988	8 732	11 787	44 316
In the income statement	1 809	24 180	8 732	11 787	46 508
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	49 701	945 556	—	9 054	1 004 311
Sales	(27 327)	(495 008)	—	(26 367)	(548 702)
Issues	—	—	—	37	37
Settlements	(17 617)	(447 858)	(7 691)	(29 409)	(502 575)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(8 701)	(54 193)	—	(13 606)	(76 500)
Balance as at 31 March 2021	**336 951**	**1 045 663**	**107 259**	**135 369**	**1 625 242**
Total gains or (losses)	22 677	63 202	(657)	19 577	104 799
In the income statement	22 677	63 768	(657)	19 577	105 365
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	33 602	1 845 044	—	59 165	1 937 811
Sales	(66 682)	(1 079 005)	—	(19 783)	(1 165 470)
Settlements	(8 498)	(695 450)	(13 515)	(49 392)	(766 855)
Transfers into level 3	621	—	—	—	621
Foreign exchange adjustments	5 964	32 394	—	8 825	47 183
Balance as at 31 March 2022	**324 635**	**1 211 848**	**93 087**	**153 761**	**1 783 331**

1. Comprises level 3 other debt securities, derivative financial instruments and securities arising from trading.

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

For the year to 31 March 2022, investment portfolio of £0.6 million was transferred from level 2 to level 3. In the prior year, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Group			
Liabilities			
Balance as at 1 April 2020	**110 679**	**27 017**	**137 696**
Total (gains) or losses	5 460	4 927	10 387
In the income statement	5 460	4 927	10 387
Settlements	(7 858)	(1 188)	(9 046)
Foreign exchange adjustments	—	(2 722)	(2 722)
Balance as at 31 March 2021	**108 281**	**28 034**	**136 315**
Total (gains) or losses	(2 094)	16 148	14 054
In the income statement	(2 094)	16 148	14 054
Settlements	(10 303)	(270)	(10 573)
Foreign exchange adjustments	1	1 857	1 858
Balance as at 31 March 2022	**95 885**	**45 769**	**141 654**

2. Comprises level 3 deposits by banks and derivative financial instruments.

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14. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
Group			
2022			
Total gains or (losses) included in the income statement for the year			
Net interest income	65 943	57 918	8 025
Investment income*	27 562	52 666	(25 104)
Trading income/(loss) arising from customer flow	(2 194)	(491)	(1 703)
	91 311	**110 093**	**(18 782)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	**440**	**(566)**
2021			
Total gains or (losses) included in the income statement for the year			
Net interest income	62 643	52 085	10 558
Investment income*	(24 133)	2 158	(26 291)
Trading income/(loss) arising from customer flow	(2 389)	428	(2 817)
	36 121	**54 671**	**(18 550)**
Total gains or (losses) included in other comprehensive income for the year			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 009)	(1 009)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 201)	**(1 009)**	**(2 192)**

* Included within the investment income statement balance are unrealised gains of £0.7 million (31 March 2021: unrealised gains of £10.3 million) presented within operational items in the income statement.

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14. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the Group's principal valuation techniques as at 31 March 2022 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

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

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

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

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

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Group					
Assets					
Other debt securities	105 031	Potential impact on income statement		3 199	(5 851)
		Credit spreads	0.74%-2.75%	141	(286)
		Cash flow adjustments	CPR 8.4%	6	(8)
		Other	^	3 052	(5 557)
Derivative financial instruments	43 950	Potential impact on income statement		4 643	(5 266)
		Volatilities	5%-18.9%	15	(29)
		Cash flow adjustments	CPR 8.4%	—	(6)
		Underlying asset value	^^	4 026	(4 028)
		Other	^	602	(1 203)
Securities arising from trading activities	4 780	Potential impact on income statement			
		Cash flow adjustments	CPR 11%	481	(635)
Investment portfolio	324 635	Potential impact on income statement		34 225	(68 234)
		Price earnings multiple	5.5x-15x	9 505	(18 206)
		Underlying asset value	^^	9 636	(20 897)
		Other	^	15 084	(29 131)
Loans and advances to customers	1 211 848	Potential impact on income statement		24 838	(40 047)
		Credit spreads	0.15%-34.3%	10 656	(27 586)
		Price earnings multiple	3.5x-4.2x	7 824	(1 136)
		Underlying asset value	^^	3 528	(5 665)
		Other	^	2 830	(5 660)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%-6.17%	8 440	(15 725)
Other securitised assets	93 087	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	988	(1 057)
Total level 3 assets	**1 783 331**			**76 814**	**(136 815)**
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 8.4%	(292)	299
Total level 3 liabilities	**141 654**			**(4 338)**	**4 359**
Net level 3 assets	**1 641 677**				

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

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

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

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14. Fair value hierarchy (continued)

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Group					
Assets					
Other debt securities	103 404	Potential impact on income statement		3 790	(10 320)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	7	(7)
		Other	^	3 676	(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	(1 685)
Investment portfolio	336 951	Potential impact on income statement		35 801	(98 411)
		Price earnings multiple	4.2x -9.0x	5 560	(13 330)
		Discount rate	17.5%	2 179	(3 959)
		Underlying asset value	^^	2 561	(5 967)
		Other	^	25 501	(75 155)
Loans and advances to customers	1 045 663	Potential impact on income statement		25 430	(43 612)
		Credit spreads	0.08%-37.3%	9 439	(14 745)
		Price earnings multiple	3.5x-4.1x%	4 200	(2)
		Underlying asset value	^^	3 094	(8 932)
		Other	^	8 697	(19 933)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	107 259	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	1 554	(1 653)
Total level 3 assets	**1 625 242**			**78 707**	**(171 618)**
Liabilities					
Deposits by banks	294	Potential impact on income statement			
		Underlying asset value	^^	—	43
Derivative financial instruments	27 740	Potential impact on income statement		(4 749)	4 800
		Volatilities	5.4%-21.1%	(25)	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
Total level 3 liabilities	**136 315**			**(4 962)**	**5 083**
Net level 3 assets	**1 488 927**				

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

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

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

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

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

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

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

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

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Company				
2022				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	—	669 108	—
Sovereign debt securities	323 494	323 494	—	—
Bank debt securities	57 844	57 844	—	—
Other debt securities	145 127	—	39 018	106 109
Derivative financial instruments	672 124	19	664 781	7 324
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	70 229	449	836	68 944
Loans and advances to customers*	1 193 462	—	1 889	1 191 573
Other loans and advances	572	—	—	572
Other securitised assets	5 083	—	—	5 083
Other assets	9 606	9 606	—	—
	3 309 814	**549 625**	**1 375 804**	**1 384 385**
Liabilities				
Derivative financial instruments	828 405	—	813 587	14 818
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
	917 541	**42 944**	**859 779**	**14 818**
Net assets at fair value	**2 392 273**	**506 681**	**516 025**	**1 369 567**

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

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2021				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	542 016	542 016	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	204 566	—	99 752	104 814
Derivative financial instruments	742 869	19	737 558	5 292
Securities arising from trading activities	278 074	275 526	959	1 589
Investment portfolio	67 948	1 805	1 687	64 456
Loans and advances to customers*	1 019 358	—	—	1 019 358
Other loans and advances	59 157	—	—	59 157
Other securitised assets	5 774	—	—	5 774
Other assets	6 857	6 857	—	—
	3 645 841	**870 004**	**1 515 397**	**1 260 440**
Liabilities				
Derivative financial instruments	885 793	—	873 837	11 956
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Subordinated liabilities	334 804	334 804	—	—
	1 388 342	**373 203**	**1 003 183**	**11 956**
Net assets at fair value	**2 257 499**	**496 801**	**512 214**	**1 248 484**

* 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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NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Company					
Assets					
Balance as at 1 April 2020	**57 714**	**1 014 095**	**6 137**	**224 683**	**1 302 629**
Total gains or (losses)	4 688	27 137	1 848	4 675	38 348
In the income statement	4 688	29 329	1 848	4 675	40 540
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	7 292	944 236	—	46 936	998 464
Sales	(1 353)	(467 562)	—	(24 026)	(492 941)
Issues	—	—	—	37	37
Settlements	(250)	(445 913)	(2 211)	(68 119)	(516 493)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(3 635)	(60 437)	—	(18 367)	(82 439)
Balance as at 31 March 2021	**64 456**	**1 019 358**	**5 774**	**170 852**	**1 260 440**
Total gains or (losses)	8 804	66 129	1 170	(6 241)	69 862
In the income statement	8 804	66 695	1 170	(6 241)	70 428
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	19 748	1 838 154	—	40 312	1 898 214
Sales	(26 176)	(1 066 692)	—	(19 783)	(1 112 651)
Settlements	—	(697 388)	(1 861)	(74 715)	(773 964)
Foreign exchange adjustments	2 112	32 012	—	8 360	42 484
Balance as at 31 March 2022	**68 944**	**1 191 573**	**5 083**	**118 785**	**1 384 385**

1. Comprises level 3 other debt securities, derivative financial instruments, other loans and advances and securities arising from trading.

For the year to £'000	Liabilities[2]	Total
Company		
Liabilities		
Balance as at 1 April 2020	**13 479**	**13 479**
Total (gains) or losses	836	836
In the income statement	836	836
Settlements	(1 189)	(1 189)
Foreign exchange adjustments	(1 170)	(1 170)
Balance as at 31 March 2021	**11 956**	**11 956**
Total (gains) or losses	2 304	2 304
In the income statement	2 304	2 304
Foreign exchange adjustments	558	558
Balance as at 31 March 2022	**14 818**	**14 818**

2. Comprises level 3 derivative financial instruments.

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

For the year to 31 March 2022, there were no transfers into or from level 3. In the prior year, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
Company			
2022			
Total gains or (losses) included in the income statement for the period			
Net interest income	64 888	57 047	7 841
Investment income*	5 056	18 462	(13 406)
Trading income/(loss) arising from customer flow	(1 819)	—	(1 819)
	68 125	**75 509**	**(7 384)**
Total gains or (losses) included in other comprehensive income for the period			
Losses 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 or (losses) included in the income statement for the period			
Net interest income	63 222	52 657	10 565
Investment income	(21 909)	2 630	(24 539)
Trading income/(loss) arising from customer flow	(1 609)	—	(1 609)
	39 704	**55 287**	**(15 583)**
Total gains or (losses) included in other comprehensive income for the period			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 009)	(1 009)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 201)	**(1 009)**	**(2 192)**

* Included within the investment income statement balance are unrealised gains of £0.7 million (31 March 2021: unrealised gains of £10.3 million) presented within operational items in the income statement.

Level 2 financial assets and financial liabilities

The Company follows the Group's principal valuation techniques set out on page 226 in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

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

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

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	106 109	Potential impact on income statement		3 195	(5 845)
		Credit spreads	0.74%-2.75%	140	(284)
		Cash flow adjustments	CPR 8.4%	3	(4)
		Other	^	3 052	(5 557)
Derivative financial instruments	7 324	Potential impact on income statement		618	(1 235)
		Volatilities	5%-18.9%	15	(29)
		Underlying asset value	^^	1	(3)
		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	68 944	Potential impact on income statement		7 358	(14 871)
		Underlying asset value	^^	1 450	(4 351)
		Other	^	5 908	(10 520)
Loans and advances to customers	1 191 573	Potential impact on income statement		15 910	(36 633)
		Credit spreads	0.15%-34.3%	10 656	(27 586)
		Underlying asset value	^^	3 183	(4 905)
		Other	^	2 071	(4 142)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%-6.17%	8 440	(15 725)
Other securitised assets	5 083	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	390	(490)
Other loans and advances	572	Potential impact on income statement			
		Underlying asset value	^^	152	—
Total level 3 assets	**1 384 385**			**36 544**	**(75 434)**
Liabilities					
Derivative financial instruments	14 818	Potential impact on income statement		(388)	820
		Discount rate	10%	(367)	785
		Volatilities	5%-18.9%	(21)	35
Total level 3 liabilities	**14 818**			**(388)**	**820**
Net level 3 assets	**1 369 567**				

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

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

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

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

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	104 814	Potential impact on income statement		3 787	(10 317)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	4	(4)
		Other	^	3 676	(10 115)
Derivative financial instruments	5 292	Potential impact on income statement		500	(1 493)
		Volatilities	5.4%-21.4%	51	(148)
		Other	^	449	(1 345)
Securities arising from trading activities	1 589	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	403	(519)
Investment portfolio	64 456	Potential impact on income statement		6 833	(18 784)
		Underlying asset value	^^	2 357	(5 357)
		Other	^	4 476	(13 427)
Loans and advances to customers	1 019 358	Potential impact on income statement		17 642	(39 131)
		Credit spreads	0.08%-37.3%	9 363	(14 644)
		Underlying asset value	^^	2 983	(8 599)
		Other	^	5 296	(15 888)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	5 774	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	549	(674)
Other loans and advances	59 157	Potential impact on income statement			
		Underlying asset value	^^	6 329	(2 012)
Total level 3 assets	**1 260 440**			**41 633**	**(82 641)**
Liabilities					
Derivative financial instruments	11 956	Potential impact on income statement		(402)	474
		Discount rate	11.8%	(377)	398
		Volatilities	5.4%-21.1%	(25)	76
Total level 3 liabilities	**11 956**			**(402)**	**474**
Net level 3 assets	**1 248 484**				

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value of financial instruments at amortised cost

					Level within the fair value hierarchy		
At 31 March £'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**
Group							
2022							
Assets							
Cash and balances at central banks	5 379 994	5 379 994	—	—	—	—	—
Loans and advances to banks	1 467 039	1 467 039	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088	—	115 088	—
Bank debt securities	—	—	—	—	—	—	—
Other debt securities	293 601	7 601	286 000	285 840	12 961	272 879	—
Loans and advances to customers	13 132 006	521 321	12 610 685	12 593 362	—	1 022 302	11 571 060
Other loans and advances	147 025	85 782	61 243	61 253	—	61 253	—
Other assets	822 300	822 300	—	—	—	—	—
	22 020 330	**8 946 188**	**13 074 142**	**13 055 543**			
Liabilities							
Deposits by banks	2 026 573	280 386	1 746 187	1 654 635	—	1 654 635	—
Repurchase agreements and cash collateral on securities lent	154 828	103 729	51 099	49 243	—	49 243	—
Customer accounts (deposits)	18 616 233	12 001 165	6 615 068	6 616 337	—	6 616 337	—
Debt securities in issue	1 074 649	1 183	1 073 466	1 076 817	483 649	593 168	—
Other liabilities	805 880	802 453	3 427	2 419	—	—	2 419
Subordinated liabilities	758 739	—	758 739	767 436	767 436	—	—
	23 436 902	**13 188 916**	**10 247 986**	**10 166 887**			

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

Financial instruments for which fair value does not approximate carrying value

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

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Group							
2021							
Assets							
Cash and balances at central banks	3 043 034	3 043 034	—	—	—	—	—
Loans and advances to banks	1 383 602	1 378 080	5 522	5 474	—	—	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992	—	271 992	—
Bank debt securities	4 263	4 263	—	—	—	—	—
Other debt securities	505 507	62 244	443 263	445 257	17 890	420 432	6 935
Loans and advances to customers	11 270 650	644 517	10 626 133	10 614 861	—	969 764	9 645 097
Other loans and advances	162 456	100 241	62 215	62 916	—	62 916	—
Other assets	951 818	951 545	273	256	—	—	256
	18 711 121	**7 302 352**	**11 408 769**	**11 400 756**			
Liabilities							
Deposits by banks	1 351 985	241 046	1 110 939	1 119 997	—	1 117 341	2 656
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803	—	47 803	—
Customer accounts (deposits)	16 240 634	10 069 791	6 170 843	6 213 235	—	6 213 235	—
Debt securities in issue	1 074 688	283 742	790 946	803 915	—	803 915	—
Other liabilities	612 006	607 745	4 261	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	19 873 347	**11 311 960**	**8 561 387**	**8 643 798**			

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

Fixed rate financial instruments

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

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

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

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

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

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy: Level 1	Level 2	Level 3
Company							
2022							
Assets							
Cash and balances at central banks	5 326 533	5 326 533	—	—	—	—	—
Loans and advances to banks	535 738	535 738	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088	—	115 088	—
Other debt securities	998 897	713 710	285 187	285 010	12 961	272 049	—
Loans and advances to customers	9 736 981	244 574	9 492 407	9 470 954	—	—	9 470 954
Other loans and advances	3 026 590	2 965 346	61 244	61 253	—	61 253	—
Other assets	531 429	531 429	—	—	—	—	—
	20 934 533	**10 979 481**	**9 955 052**	**9 932 305**			
Liabilities							
Deposits by banks	2 214 555	468 368	1 746 187	1 654 635	—	1 654 635	—
Repurchase agreements and cash collateral on securities lent	197 903	146 804	51 099	49 243	—	49 243	—
Customer accounts (deposits)	17 290 014	10 741 995	6 548 019	6 549 281	—	6 549 281	—
Debt securities in issue	1 073 466	—	1 073 466	1 076 817	483 649	593 168	—
Other liabilities	482 028	478 602	3 426	2 419	—	—	2 419
Subordinated liabilities	758 739	—	758 739	767 436	767 436	—	—
	22 016 705	**11 835 769**	**10 180 936**	**10 099 831**			

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy: Level 1	Level 2	Level 3
Company							
2021							
Assets							
Cash and balances at central banks	2 993 119	2 993 119	—	—	—	—	—
Loans and advances to banks	454 596	449 074	5 522	5 474	—	—	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992	—	271 992	—
Other debt securities	1 197 141	785 177	411 964	413 533	17 890	388 708	6 935
Loans and advances to customers	8 340 732	433 346	7 907 386	7 906 521	—	—	7 906 521
Other loans and advances	2 754 572	2 722 651	31 921	31 482	—	31 482	—
Other assets	632 593	632 322	271	256	—	—	256
	17 762 544	**9 134 117**	**8 628 427**	**8 629 258**			
Liabilities							
Deposits by banks	1 451 745	419 222	1 032 523	1 038 215	—	1 035 559	2 656
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803	—	47 803	—
Customer accounts (deposits)	15 493 774	9 402 363	6 091 411	6 133 782	—	6 133 782	—
Debt securities in issue	1 044 360	253 414	790 946	803 915	—	803 915	—
Other liabilities	375 345	371 083	4 262	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	18 959 258	**10 555 718**	**8 403 540**	**8 482 563**			

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16. 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
Group						
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
Other securitised assets	93 087	(4 106)	(6 382)	(4 106)	(6 382)	93 087
	152 089	**(3 638)**	**(6 048)**	**(4 100)**	**(6 287)**	**113 440**
2021						
Reverse repurchase agreements and cash collateral on securities borrowed	119 714	(8 498)	4 614	—	—	—
Securities arising from trading activities	22 553	2 707	915	(1 128)	(1 380)	22 553
Other securitised assets	107 259	5 462	(3 173)	5 462	(3 173)	107 259
	249 526	**(329)**	**2 356**	**4 334**	**(4 553)**	**129 812**

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						
Debt securities in issue	46 192	41 266	5 139	9 452	7	(43)
Liabilities arising on securitisation of other assets	95 885	102 712	(2 286)	(6 854)	(2 286)	(6 854)
	142 077	**143 977**	**2 853**	**2 598**	**(2 279)**	**(6 897)**
2021						
Deposits by banks	294	1 335	(11)	(649)	—	—
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
	562 069	**529 340**	**28 120**	**35 852**	**4 612**	**7 991**

* 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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16. Designated at fair value (continued)

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
Company						
Assets						
2022						
Reverse repurchase agreements and cash collateral on securities borrowed	38 649	89	284	—	—	—
Other debt securities	1 261	(138)	197	(138)	197	1 261
Securities arising from trading activities	20 353	379	50	6	95	20 353
Other securitised assets	5 083	(691)	5 083	(691)	5 083	5 083
	65 346	**(361)**	**5 614**	**(823)**	**5 375**	**26 697**
2021						
Reverse repurchase agreements and cash collateral on securities borrowed	119 714	(8 498)	4 614	—	—	—
Other debt securities	1 410	67	230	67	230	1 410
Securities arising from trading activities	22 553	2 707	915	(1 128)	(1 380)	22 553
Other securitised assets	5 774	(363)	5 774	(363)	5 774	5 774
	149 451	**(6 087)**	**11 533**	**(1 424)**	**4 624**	**29 737**

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						
Debt securities in issue	46 192	41 266	5 139	9 452	7	(43)
	46 192	**41 266**	**5 139**	**9 452**	**7**	**(43)**
2021						
Debt securities in issue	118 690	107 028	30 559	18 178	(972)	(1 320)
Subordinated liabilities	334 804	307 962	(8 429)	23 269	(417)	14 257
	453 494	**414 990**	**22 130**	**41 447**	**(1 389)**	**12 937**

* 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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17. Cash and balances at central banks

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross cash and balances at central banks	5 379 994	3 043 034	5 326 533	2 993 119
Expected credit loss	—	—	—	—
Net cash and balances at central banks	**5 379 994**	**3 043 034**	**5 326 533**	**2 993 119**
The country risk of cash and bank balances at central banks lies in the following geographies:				
United Kingdom	5 326 540	2 993 129	5 326 533	2 993 119
Europe (excluding UK)	53 454	49 905	—	—
	5 379 994	**3 043 034**	**5 326 533**	**2 993 119**

18. Loans and advances to banks

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross loans and advances to banks	1 467 132	1 383 704	535 768	454 641
Expected credit loss	(93)	(102)	(30)	(45)
Net loans and advances to banks	**1 467 039**	**1 383 602**	**535 738**	**454 596**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	9 966	12 830	5 287	12 770
United Kingdom	555 799	566 585	125 443	100 503
Europe (excluding UK)	706 867	538 890	287 805	182 692
Australia	41 096	103 335	21 717	56 152
North America	143 857	138 923	93 670	89 223
Asia	9 086	22 947	1 597	13 164
Other	368	92	219	92
	1 467 039	**1 383 602**	**535 738**	**454 596**

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

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 447 485	2 065 249	1 447 485	2 065 249
Expected credit loss	(12)	(17)	(12)	(17)
Net reverse repurchase agreements and cash collateral on securities borrowed	**1 447 473**	**2 065 232**	**1 447 473**	**2 065 232**
Reverse repurchase agreements	1 408 503	2 039 402	1 408 503	2 039 402
Cash collateral on securities borrowed	38 970	25 830	38 970	25 830
	1 447 473	**2 065 232**	**1 447 473**	**2 065 232**
As part of the reverse repurchase and securities borrowing agreements the Group has received securities that it is allowed to sell or repledge. £76 million (2021: £545 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	129 092	119 932	172 167	119 932
Cash collateral on securities lent	25 736	37 425	25 736	37 425
	154 828	**157 357**	**197 903**	**157 357**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £13 million (2021: £25 million). They are pledged as security for the term of the underlying repurchase agreement.

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20. Sovereign debt securities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross sovereign debt securities	1 165 777	1 108 253	323 494	542 016
Expected credit loss	—	—	—	—
Net sovereign debt securities	**1 165 777**	**1 108 253**	**323 494**	**542 016**
The country risk of sovereign debt securities lies in the following geographies:				
United Kingdom	378 941	359 523	63 388	72 161
Europe (excluding UK)*	93 004	66 547	60 267	55 540
North America	693 832	632 265	199 839	364 397
Australia	—	49 918	—	49 918
	1 165 777	**1 108 253**	**323 494**	**542 016**

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

21. Bank debt securities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross bank debt securities	61 714	48 044	57 844	43 781
Expected credit loss	—	—	—	—
Net bank debt securities	**61 714**	**48 044**	**57 844**	**43 781**
Bonds	57 844	48 044	57 844	43 781
Floating rate notes	3 870	—	—	—
	61 714	**48 044**	**57 844**	**43 781**
The country risk of bank debt securities lies in the following geographies:				
United Kingdom	46 622	38 929	46 619	38 929
Europe (excluding UK)	15 092	9 115	11 225	4 852
	61 714	**48 044**	**57 844**	**43 781**

22. Other debt securities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross other debt securities	442 868	710 203	1 149 203	1 403 019
Expected credit loss	(5 219)	(1 358)	(5 179)	(1 312)
Net other debt securities	**437 649**	**708 845**	**1 144 024**	**1 401 707**
Bonds	119 766	190 679	824 880	911 689
Commercial paper	9 888	9 884	9 888	9 884
Asset-backed securities	307 995	508 282	309 256	480 134
	437 649	**708 845**	**1 144 024**	**1 401 707**
The country risk of other debt securities lies in the following geographies:				
United Kingdom	114 340	269 845	821 708	975 581
Europe (excluding UK)	67 666	71 891	67 666	73 336
North America	207 392	326 244	206 581	312 107
Asia	48 251	40 865	48 069	40 683
	437 649	**708 845**	**1 144 024**	**1 401 707**

23. Derivative financial instruments

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

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

	2022			2021		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	16 862 873	157 697	137 754	17 113 315	299 745	208 935
Currency swaps	1 117 700	12 176	10 113	598 233	13 007	10 084
OTC options bought and sold	2 212 297	11 820	18 665	3 427 247	48 207	44 409
	20 192 870	**181 693**	**166 532**	**21 138 795**	**360 959**	**263 428**
Interest rate derivatives						
Caps and floors	9 424 942	65 094	57 797	8 878 148	19 155	13 058
Swaps	40 601 552	52 858	81 495	37 046 882	180 641	57 799
OTC derivatives	**50 026 494**	**117 952**	**139 292**	**45 925 030**	**199 796**	**70 857**
Exchange traded futures	—	—	—	228 292	—	—
	50 026 494	**117 952**	**139 292**	**46 153 322**	**199 796**	**70 857**
Equity and stock index derivatives						
OTC options bought and sold	2 920 599	101 194	212 995	4 188 105	95 579	252 815
Equity swaps and forwards	392 379	2 875	11 138	695 478	19 689	7 710
OTC derivatives	**3 312 978**	**104 069**	**224 133**	**4 883 583**	**115 268**	**260 525**
Exchange traded futures	169 227	—	—	201 987	—	—
Exchange traded options	15 492 162	—	25 831	16 930 831	—	232 642
Warrants	—	19	—	412	19	—
	18 974 367	**104 088**	**249 964**	**22 016 813**	**115 287**	**493 167**
Commodity derivatives						
OTC options bought and sold	235 387	40 978	51 206	224 256	31 209	38 347
Commodity swaps and forwards	1 236 254	255 652	253 713	738 641	52 689	48 316
	1 471 641	**296 630**	**304 919**	**962 897**	**83 898**	**86 663**
Credit derivatives	**218 806**	**11 065**	**2 588**	**333 933**	**8 911**	**2 237**
Other derivatives		**6 029**			**4 483**	
Derivatives per balance sheet		**717 457**	**863 295**		**773 334**	**916 352**

23. Derivative financial instruments (continued)

	2022			2021		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Company						
Foreign exchange derivatives						
Forward foreign exchange contracts	15 169 653	149 421	132 301	15 291 897	283 994	197 137
Currency swaps	1 050 055	8 942	9 377	544 954	9 306	8 073
OTC options bought and sold	2 205 010	11 806	18 591	3 424 623	48 204	44 376
	18 424 718	**170 169**	**160 269**	**19 261 474**	**341 504**	**249 586**
Interest rate derivatives						
Caps and floors	9 178 665	65 094	55 736	8 638 764	19 155	13 056
Swaps	40 519 725	52 464	85 404	36 917 728	189 032	57 694
Forward rate agreements	—	—	17 340	—	—	3 814
OTC derivatives	**49 698 390**	**117 558**	**158 480**	**45 556 492**	**208 187**	**74 564**
Exchange traded futures	—	—	—	228 292	—	—
	49 698 390	**117 558**	**158 480**	**45 784 784**	**208 187**	**74 564**
Equity and stock index derivatives						
OTC options bought and sold	2 919 930	101 194	212 995	4 187 466	95 579	252 815
Equity swaps and forwards	392 379	2 875	11 138	695 478	19 689	7 710
OTC derivatives	**3 312 309**	**104 069**	**224 133**	**4 882 944**	**115 268**	**260 525**
Exchange traded futures	169 227	—	—	201 987	—	—
Exchange traded options	15 492 162	—	25 831	16 930 831	—	232 642
Warrants	—	19	—	—	19	—
	18 973 698	**104 088**	**249 964**	**22 015 762**	**115 287**	**493 167**
Commodity derivatives						
OTC options bought and sold	9 108	7 777	20 410	8 476	12 542	22 922
Commodity swaps and forwards	1 167 253	255 438	236 694	705 208	51 955	43 317
	1 176 361	**263 215**	**257 104**	**713 684**	**64 497**	**66 239**
Credit derivatives	**218 806**	**11 065**	**2 588**	**333 933**	**8 911**	**2 237**
Other derivatives		**6 029**			**4 483**	
Derivatives per balance sheet		**672 124**	**828 405**		**742 869**	**885 793**

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24. Securities arising from trading activities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Asset-backed securities	4 780	5 160	4 780	1 589
Bonds	17 936	22 631	17 936	22 631
Government securities	2 811	4 101	2 811	4 101
Listed equities	137 638	249 753	137 638	249 753
	163 165	**281 645**	**163 165**	**278 074**

25. Investment portfolio

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Listed equities	2 036	10 011	454	2 718
Unlisted equities*	331 185	340 930	69 775	65 230
	333 221	**350 941**	**70 229**	**67 948**

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

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

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Gross loans and advances to customers at amortised cost	13 262 811	11 434 817	9 822 661	8 461 183
Gross loans and advances to customers at FVOCI^	685 386	534 059	685 386	534 059
Gross loans and advances to customers subject to expected credit losses	**13 948 197**	**11 968 876**	**10 508 047**	**8 995 242**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(130 805)	(164 167)	(85 680)	(120 451)
Net loans and advances to customers at amortised cost and FVOCI^	**13 817 392**	**11 804 709**	**10 422 367**	**8 874 791**
Loans and advances to customers at fair value through profit and loss	609 083	511 604	508 076	485 299
Net loans and advances to customers	**14 426 475**	**12 316 313**	**10 930 443**	**9 360 090**
Gross other loans and advances	147 073	162 565	3 039 905	2 762 616
Expected credit losses on other loans and advances	(48)	(109)	(13 315)	(8 044)
Net other loans and advances at amortised cost	**147 025**	**162 456**	**3 026 590**	**2 754 572**
Other loans and advances at fair value through profit and loss	—	—	572	59 157
Net other loans and advances	**147 025**	**162 456**	**3 027 162**	**2 813 729**

^ Expected credit losses above do not include £3 million (31 March 2021: £5 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

For further analysis on loans and advances for the Group, refer to pages 79 to 84 in the risk management section, for the Company pages 289 to 290.

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

At 31 March £'000	Group 2022	Company 2022
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^		
Balance as at 1 April 2020	**173 207**	**132 424**
Charge to the income statement	61 610	56 716
Reversals and recoveries recognised in the income statement	(41)	(28)
Write-offs	(71 317)	(68 976)
Exchange adjustments	708	315
Balance as at 31 March 2021	**164 167**	**120 451**
Charge to the income statement	24 413	15 381
Reversals and recoveries recognised in the income statement	(369)	(309)
Write-offs	(58 647)	(51 013)
Exchange adjustments	1 241	1 169
Balance as at 31 March 2022	**130 805**	**85 679**
Expected credit loss of other loans and advances		
Balance as at 1 April 2020	**123**	**14 785**
(Release)/charge to the income statement	(80)	11 782
Write-offs	—	(18 523)
Exchange adjustments	66	—
Balance as at 31 March 2021	**109**	**8 044**
Charge to the income statement	14	7 087
Write-offs	—	(1 816)
Exchange adjustments	(75)	—
Balance as at 31 March 2022	**48**	**13 315**

^ Expected credit losses above do not include £3 million (31 March 2021: £5 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

27. Securitised assets and liabilities arising on securitisation

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Other securitised assets are made up of the following categories of assets:				
Loans and advances to customers	88 004	101 485	—	—
Other debt securities	5 083	5 774	5 083	5 774
Total other securitised assets	**93 087**	**107 259**	**5 083**	**5 774**
The associated liabilities are recorded on-balance sheet in the following line items:				
Liabilities arising on securitisation of other assets	**95 885**	**108 281**	**—**	**—**

28. Interests in associated undertakings and joint venture holdings

For the year to 31 March £'000	2022	2021
Group		
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	5 689	4 074
Goodwill	5 755	139
Investment in associated undertakings and joint venture holdings	**11 444**	**4 213**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	4 074	6 440
Exchange adjustments	136	635
Acquisitions	3 493	—
Share of post-taxation profits of associates and joint venture holdings^	2 274	2 067
Dividends received	(4 288)	(5 068)
At the end of the year	**5 689**	**4 074**
Analysis of the movement in goodwill:		
At the beginning of the year	139	139
Exchange adjustments	(104)	—
Acquisitions	5 720	—
At the end of the year	**5 755**	**139**

^ Included within the share of post-taxation profit from associates and joint venture holdings is a profit of £286 000 (31 March 2021: £299 000) presented within operational items in the income statement.

For the year to 31 March £'000	2022	2021
Company		
Analysis of the movement in investment:		
At the beginning of the year	584	645
Exchange adjustments	52	(61)
Acquisitions	1 573	—
Disposals	(42)	—
At the end of the year	**2 167**	**584**
Provision for impairment in value:		
At the beginning of the year	—	—
Disposals	—	—
At the end of the year	**—**	**—**
Net book value at the end of the year	**2 167**	**584**

29. Deferred taxation

	Group		Company	
At 31 March £'000	2022	2021	2022	2021
Deferred taxation assets	109 542	109 849	70 214	70 858
Deferred taxation liabilities	—	(20 652)	—	(6 288)
Net deferred taxation assets	**109 542**	**89 197**	**70 214**	**64 570**
The net deferred taxation assets arise from:				
Deferred capital allowances	48 634	40 264	6 952	7 299
Income and expenditure accruals	2 212	30	618	1 233
Asset in respect of unexpired options	28 343	10 419	26 785	9 528
Unrealised fair value adjustments on financial instruments	31 033	36 261	29 672	36 642
Losses carried forward	8 166	12 286	6 187	9 868
Asset in respect of pension deficit	383	—	—	
Deferred tax on acquired intangibles	(9 229)	(10 378)	—	—
Other temporary differences	—	315	—	—
Net deferred taxation assets	**109 542**	**89 197**	**70 214**	**64 570**
Reconciliation of net deferred taxation assets				
At the beginning of the year	**89 197**	**107 603**	**64 570**	**75 940**
Release/(charge) to income statement – current year taxation	24 353	(17 184)	9 377	(9 150)
Movement directly in other comprehensive income	(3 677)	(3 136)	(3 733)	(3 024)
Arising on acquisitions/disposals	(463)	(300)	—	
Exchange adjustments	132	2 214	—	804
At the end of the year	**109 542**	**89 197**	**70 214**	**64 570**

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

There are trading losses carried forward of £78.7 million (2021: £56.9 million) (Company: £nil) (2021 Company: £nil) and capital losses carried forward of £50.6 million (2021: £53 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

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% 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.

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

30. Other assets

	Group		Company	
At 31 March £'000	2022	2021	2022	2021
Gross other assets	1 161 549	1 395 915	615 033	702 351
Expected credit loss	—	—	—	—
Net other assets	**1 161 549**	**1 395 915**	**615 033**	**702 351**
Settlement debtors	736 583	864 976	474 557	571 970
Trading properties	4 287	24 758	—	—
Prepayments and accruals	95 677	94 212	55 381	49 689
Trading initial margin	9 606	6 857	9 606	6 857
Finance lease receivables	223 902	252 797	—	—
Other	91 494	152 315	75 489	73 835
	1 161 549	**1 395 915**	**615 033**	**702 351**

NOTES TO THE FINANCIAL STATEMENTS
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31. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
Group							
2022							
Cost							
At the beginning of the year	36	141 376	80 844	7 394	25 697	5 721	261 068
Exchange adjustments	—	215	632	8	(1)	—	854
Additions	—	4 653	930	32	1 434	5	7 054
Disposals	—	(6 514)	(5 990)	(399)	(4 084)	(2 260)	(19 247)
At the end of the year	**36**	**139 730**	**76 416**	**7 035**	**23 046**	**3 466**	**249 729**
Accumulated depreciation							
At the beginning of the year	(36)	(29 316)	(21 039)	(3 327)	(16 653)	(5 195)	(75 566)
Exchange adjustments	—	(109)	(9)	(8)	(4)	—	(130)
Disposals	—	1 869	2 233	289	3 785	2 178	10 354
Depreciation and impairment charge for the year	—	(17 650)	(6 489)	(566)	(4 423)	(204)	(29 332)
At the end of the year	**(36)**	**(45 206)**	**(25 304)**	**(3 612)**	**(17 295)**	**(3 221)**	**(94 674)**
Net carrying value	**—**	**94 524**	**51 112**	**3 423**	**5 751**	**245**	**155 055**
2021							
Cost							
At the beginning of the year	36	144 893	92 086	7 432	26 201	7 210	277 858
Exchange adjustments	—	(475)	(2 869)	120	19	(113)	(3 318)
Additions	—	6 691	543	115	2 180	56	9 585
Disposals	—	(9 733)	(8 916)	(273)	(2 703)	(1 432)	(23 057)
At the end of the year	**36**	**141 376**	**80 844**	**7 394**	**25 697**	**5 721**	**261 068**
Accumulated depreciation							
At the beginning of the year	(36)	(16 946)	(22 277)	(2 848)	(12 791)	(6 005)	(60 903)
Exchange adjustments	—	615	(442)	(84)	(11)	77	155
Disposals	—	3 866	8 224	207	2 335	1 396	16 028
Depreciation and impairment charge for the year	—	(16 851)	(6 544)	(602)	(6 186)	(663)	(30 846)
At the end of the year	**(36)**	**(29 316)**	**(21 039)**	**(3 327)**	**(16 653)**	**(5 195)**	**(75 566)**
Net carrying value	**—**	**112 060**	**59 805**	**4 067**	**9 044**	**526**	**185 502**

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

NOTES TO THE FINANCIAL STATEMENTS
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31. Property and equipment (continued)

At 31 March £'000	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Total
Company					
2022					
Cost					
At the beginning of the year	60 728	41 191	5 460	14 355	121 734
Additions	1 295	—	—	681	1 976
At the end of the year	**62 023**	**41 191**	**5 460**	**15 036**	**123 710**
Accumulated depreciation					
At the beginning of the year	(13 246)	(11 820)	(1 571)	(10 260)	(36 897)
Depreciation and impairment charge for the year	(9 210)	(4 290)	(518)	(2 281)	(16 299)
At the end of the year	**(22 456)**	**(16 110)**	**(2 089)**	**(12 541)**	**(53 196)**
Net carrying value	**39 567**	**25 081**	**3 371**	**2 495**	**70 514**
2021					
Cost					
At the beginning of the year	60 451	41 416	5 943	13 931	121 741
Additions	555	—	—	479	1 034
Disposals	(278)	(225)	(483)	(55)	(1 041)
At the end of the year	**60 728**	**41 191**	**5 460**	**14 355**	**121 734**
Accumulated depreciation					
At the beginning of the year	(6 773)	(7 746)	(1 157)	(6 682)	(22 358)
Disposals	278	216	104	4	602
Depreciation and impairment charge for the year	(6 751)	(4 290)	(518)	(3 582)	(15 141)
At the end of the year	**(13 246)**	**(11 820)**	**(1 571)**	**(10 260)**	**(36 897)**
Net carrying value	**47 482**	**29 371**	**3 889**	**4 095**	**84 837**

^ Right of use assets primarily comprise 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 on these operating leased assets has been shown separately on the face of the income statement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

32. Goodwill

At 31 March £'000	2022	2021
Cost		
At the beginning of the year	279 280	279 428
Disposal of subsidiaries	(3 135)	(148)
At the end of the year	**276 145**	**279 280**
Accumulated impairments		
At the beginning of the year	(35 208)	(26 470)
Impairments	—	(8 787)
Disposal of subsidiaries	3 135	—
Exchange adjustments	—	49
At the end of the year	**(32 073)**	**(35 208)**
Net carrying value	**244 072**	**244 072**
Analysis of goodwill by line of business:		
Wealth & Investment	241 139	241 139
Specialist Banking	2 933	2 933
Total Group	**244 072**	**244 072**

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

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

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

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Investec Wealth & Investment, goodwill of £241.1 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 Investec Specialist Banking, the goodwill of £2.9 million is made up of a number of individual cash-generating units within the line of business. These cash-generating units are assessed for impairment considering current performance and budgets. There are no indications of impairment from the review of these balances except as discussed below in relation to Investec Ireland.

Movement in goodwill
The write off during the year ended 31 March 2022 relates to goodwill that had been fully impaired in the prior years.

In the prior year, goodwill of £8.8 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.

NOTES TO THE FINANCIAL STATEMENTS
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33. Software and other acquired intangible assets

	Software			Other acquired intangible assets		
At 31 March £'000	Acquired software	Internally generated software	Total	Client relationships*	Total	Total
Group						
2022						
Cost						
At the beginning of the year	24 398	1 702	26 100	180 556	180 556	206 656
Exchange adjustments	188	—	188	—	—	188
Additions	669	1 402	2 071	463	463	2 534
Disposals	(323)	—	(323)	—	—	(323)
At the end of the year	**24 932**	**3 104**	**28 036**	**181 019**	**181 019**	**209 055**
Accumulated amortisation and impairments						
At the beginning of the year	(18 309)	—	(18 309)	(123 938)	(123 938)	(142 247)
Exchange adjustments	(145)	—	(145)	—	—	(145)
Disposals	298	—	298	—	—	298
Amortisation	(2 297)	(517)	(2 814)	(12 936)	(12 936)	(15 750)
At the end of the year	**(20 453)**	**(517)**	**(20 970)**	**(136 874)**	**(136 874)**	**(157 844)**
Net carrying value	**4 479**	**2 587**	**7 066**	**44 145**	**44 145**	**51 211**
2021						
Cost						
At the beginning of the year	25 265	—	25 265	182 020	182 020	207 285
Exchange adjustments	(221)	—	(221)	(44)	(44)	(265)
Additions	1 541	1 702	3 243	1 972	1 972	5 215
Disposals	(2 187)	—	(2 187)	(3 392)	(3 392)	(5 579)
At the end of the year	**24 398**	**1 702**	**26 100**	**180 556**	**180 556**	**206 656**
Accumulated amortisation and impairments						
At the beginning of the year	(18 310)	—	(18 310)	(113 634)	(113 634)	(131 944)
Exchange adjustments	397	—	397	30	30	427
Disposals	2 182	—	2 182	—	2 517	4 699
Amortisation	(2 578)	—	(2 578)	(12 851)	(12 851)	(15 429)
At the end of the year	**(18 309)**	**—**	**(18 309)**	**(123 938)**	**(123 938)**	**(142 247)**
Net carrying value	**6 089**	**1 702**	**7 791**	**56 618**	**56 618**	**64 409**

* Client relationships are acquired intangibles.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33. Software and other acquired intangible assets (continued)

At 31 March £'000	Acquired software
Company	
2022	
Cost	
At the beginning of the year	2 705
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(2 160)
Amortisation	(511)
At the end of the year	**(2 671)**
Net carrying value	**34**
2021	
Cost	
At the beginning of the year	2 705
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(1 649)
Amortisation	(511)
At the end of the year	**(2 160)**
Net carrying value	**545**

34. Acquisitions and disposals

Group and Company

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

During the prior year, 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.

35. Other trading liabilities

At 31 March £'000	Group and Company 2022	Group and Company 2021
Short positions		
– Equities	42 944	38 399
– Bank debt securities	—	10 656
	42 944	**49 055**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

36. Debt securities in issue

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Repayable in:				
Less than three months	12 482	45 890	12 493	16 756
Three months to one year	71 796	25 851	71 796	25 851
One to five years	1 022 555	1 080 848	1 022 555	1 079 654
Greater than five years	14 008	40 789	12 814	40 789
	1 120 841	**1 193 378**	**1 119 658**	**1 163 050**
Analysis by customer type:				
Retail	12 638	114 228	12 638	114 228
Wholesale	1 108 203	1 079 150	1 107 020	1 048 822
	1 120 841	**1 193 378**	**1 119 658**	**1 163 050**

37. Other liabilities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Settlement liabilities	612 767	387 733	322 961	204 879
Other creditors and accruals	296 224	274 354	181 324	159 689
Lease liabilities	344 802	387 165	53 578	61 952
Other non-interest bearing liabilities	97 899	125 789	110 206	93 351
Expected credit losses on off-balance sheet commitments and guarantees	8 379	8 821	8 340	8 676
	1 360 071	**1 183 862**	**676 409**	**528 547**

The maturity analysis of the lease liabilities is shown below:

At 31 March £'000	2022 Undiscounted lease payments	2022 Present value	2021 Undiscounted lease payments	2021 Present value
Group				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	54 032	51 272	57 384	54 681
One to five years	290 977	259 482	318 418	281 513
Later than five years	34 998	34 048	52 826	50 971
	380 007	**344 802**	**428 628**	**387 165**

At 31 March £'000	2022 Undiscounted lease payments	2022 Present value	2021 Undiscounted lease payments	2021 Present value
Company				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	9 384	8 453	9 384	8 375
One to five years	36 229	34 270	36 959	34 362
Later than five years	11 028	10 855	19 682	19 215
	56 641	**53 578**	**66 025**	**61 952**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

37. Other liabilities (continued)

Reconciliation from opening balance to closing balance

At 31 March £'000	Group 2022	Company 2022
Balance as at 1 April 2020	**478 558**	**72 023**
Interest on lease liabilities	12 863	1 148
New leases	5 230	—
Disposals	(15 882)	—
Repayment of lease liabilities	(66 316)	(11 219)
Remeasurement of lease liabilities	630	—
Exchange adjustments	(27 918)	—
Balance as at 31 March 2021	**387 165**	**61 952**
Interest on lease liabilities	11 120	1 010
New leases	2 665	—
Disposals	(11 812)	—
Repayment of lease liabilities	(54 374)	(9 384)
Remeasurement of lease liabilities	(281)	—
Exchange adjustments	10 319	—
Balance as at 31 March 2022	**344 802**	**53 578**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

38. Subordinated liabilities

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Issued by Investec Bank plc				
Subordinated fixed rate medium-term notes – FVPL	—	334 804	—	334 804
Subordinated fixed rate re-set callable medium-term notes – amortised cost	758 739	436 677	758 739	436 677
	758 739	**771 481**	**758 739**	**771 481**
Remaining maturities:				
In one year or less, or on demand	—	334 804	—	334 804
In more than one year, but not more than two years	—	—	—	—
In more than two years, but not more than five years	—	—	—	—
In more than five years	758 739	436 677	758 739	436 677
	758 739	**771 481**	**758 739**	**771 481**
Reconciliation from opening balance to closing balance				
At the beginning of the year	**771 481**	**787 030**	**771 481**	**787 030**
New issue	347 536	—	347 536	—
Redemption	(307 962)	—	(307 962)	—
Fair value movement	(23 269)	(8 429)	(23 269)	(8 429)
Accrual of interest	48 505	47 405	48 505	47 405
Repayment of interest	(49 807)	(47 491)	(49 807)	(47 491)
Hedge accounting/amortisation of discount	(27 745)	(7 034)	(27 745)	(7 034)
At the end of the year	**758 739**	**771 481**	**758 739**	**771 481**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

Subordinated fixed rate 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.

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 prepayable fixed rate resettable medium-term loan (denominated in Pound Sterling) – accounted for at amortised cost

On 4 October 2021, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 2.625% (2032 loan). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The loan will mature on 4 January 2032. The borrower may prepay the loan in full on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

NOTES TO THE FINANCIAL STATEMENTS
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39. Ordinary share capital

At 31 March £'000	Group and Company 2022	2021
Authorised		
The authorised share capital is £2 000 million (2021: £2 000 million) comprising:		
2 000 million ordinary shares of £1 each (2021: 2 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	1 280 550 000	1 280 550 000
Issued during the year	—	—
At the end of the year	**1 280 550 000**	**1 280 550 000**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	1 280 550	1 280 550
Issued during the year	—	—
At the end of the year	**1 280 550**	**1 280 550**

40. Additional Tier 1 securities in issue

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**	**250 000**	**250 000**

On 16 October 2017, Investec Bank plc issued £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) to Investec plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. A further £50 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 million 2024 notes issued on 16 October 2018. 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 of 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and investors will lose their entire investment in the securities should the CET1 capital ratio of Investec Bank plc, 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.

41. Non-controlling interests

At 31 March £'000	2022	2021
Non-controlling interests in partially held subsidiaries	**833**	**390**

NOTES TO THE FINANCIAL STATEMENTS
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42. Finance lease disclosures

At 31 March £'000	2022 Total future minimum payments	2022 Present value	2021 Total future minimum payments	2021 Present value
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	230 003	193 281	239 982	199 103
One to five years	341 698	303 438	375 016	334 008
Later than five years	6 349	5 886	5 651	5 229
	578 050	**502 605**	**620 649**	**538 340**
Unearned finance income	**(75 444)**		**(82 309)**	
Net investment in the lease	**502 606**		**538 340**	

At 31 March 2022, unguaranteed residual values accruing to the benefit of the Group 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 £'000	2022 Total future minimum payments	2022 Present value	2021 Total future minimum payments	2021 Present value
Group				
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	251 377	209 053
Later than five years	748	746	2 184	2 148
	259 755	**223 902**	**294 009**	**252 797**
Unearned finance income	**(35 853)**		**(41 212)**	
Net investment in the lease	**223 902**		**252 797**	

The Company has no finance lease receivables at 31 March 2022 (31 March 2021: £nil).

43. Notes to the cash flow statement

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:				
Profit before taxation	273 544	93 189	265 048	68 071
Adjustment for non-cash items included in net income before taxation:				
Impairment of goodwill	—	8 787	—	—
Impairment of subsidiary	—	—	9 994	12 432
Amortisation of acquired intangibles	12 936	12 851	—	—
Net loss/(gain) on disposal and liquidation of subsidiaries	632	(32 936)	2 990	—
Depreciation of operating lease assets	204	663	—	—
Depreciation and impairment of property, equipment, software and other intangibles	31 939	32 760	16 810	15 652
Expected credit loss impairment charges	25 363	71 134	29 113	72 361
Share of post-taxation profit of associates and joint venture holdings	(1 988)	(1 768)	—	—
Dividends received from subsidiaries	—	—	(147 848)	(98 537)
Dividends received from associates and joint venture holdings	4 288	5 068	—	—
Share-based payments and employee benefit liability recognised	3 244	3 836	2 147	2 796
Profit before taxation adjusted for non-cash items	**350 162**	**193 584**	**178 254**	**72 775**
(Increase)/decrease in operating assets				
Loans and advances to banks	53 038	28 684	38 821	14 515
Reverse repurchase agreements and cash collateral on securities borrowed	617 764	393 577	617 764	393 577
Sovereign debt securities	(57 522)	(23 235)	218 524	(1 402)
Bank debt securities	(13 675)	3 189	(14 068)	7 452
Other debt securities	267 337	(13 635)	253 818	(225 209)
Derivative financial instruments	55 989	477 660	70 745	499 297
Securities arising from trading activities	118 480	(25 000)	114 909	(27 629)
Investment portfolio	15 354	15 812	(3 430)	(5 605)
Other loans and advances	15 417	104 125	(226 060)	(70 030)
Loans and advances to customers	(2 108 692)	(547 379)	(1 583 405)	(563 285)
Securitised assets	14 172	(1 041)	691	363
Other assets	199 206	60 029	87 315	2 274
Goodwill	—	148	—	—
	(823 132)	**472 934**	**(424 376)**	**24 318**
Increase/(decrease) in operating liabilities				
Deposits by banks	674 294	(97 157)	762 810	(85 572)
Derivative financial instruments	(53 057)	(231 173)	(57 388)	(249 356)
Other trading liabilities	(6 111)	(69 517)	(6 111)	(69 517)
Repurchase agreements and cash collateral on securities lent	(2 529)	(239 454)	40 546	(239 454)
Customer accounts	2 375 599	734 751	1 796 240	934 664
Debt securities in issue	(72 537)	166 904	(43 392)	181 082
Liabilities arising on securitisation of other assets	(12 396)	(2 398)	—	—
Other liabilities	172 939	(429 367)	116 036	(355 285)
	3 076 202	**(167 411)**	**2 608 741**	**116 562**

44. Commitments

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Undrawn facilities	1 956 967	1 804 646	1 927 360	1 757 818
Other commitments	45 528	60 212	8 969	13 414
	2 002 495	**1 864 858**	**1 936 329**	**1 771 232**

The commitments numbers include expected credit losses (ECL) of £8 million (2021: £9 million) reported in other liabilities.

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on-balance sheet.

At 31 March £'000	Carrying amount of pledged assets 2022	Carrying amount of pledged assets 2021	Related liability 2022	Related liability 2021
Group				
Pledged assets				
Loans and advances to banks	48 273	70 507	40 589	56 715
Reverse repurchase agreements and cash collateral on securities borrowed	188 428	159 600	184 548	126 064
Sovereign debt securities	43 138	273 265	41 914	251 603
Bank debt securities	8 168	—	7 937	—
Securities arising from trading activities	47 957	62 464	46 114	59 955
Loans and advances to customers	612 670	261 496	595 290	123 702
Other loans and advances	7 998	4 628	6 724	3 718
	956 632	**831 960**	**923 116**	**621 757**
Company				
Pledged assets				
Loans and advances to banks	48 273	70 507	40 589	56 715
Reverse repurchase agreements and cash collateral on securities borrowed	188 428	159 600	186 128	146 350
Sovereign debt securities	43 138	273 265	42 412	264 604
Bank debt securities	8 168	—	7 251	—
Other debt securities	549 697	563 783	540 451	446 910
Securities arising from trading activities	47 957	62 464	46 114	59 955
Loans and advances to customers	612 670	261 496	602 364	207 288
Other loans and advances	7 998	4 628	6 724	3 718
	1 506 329	**1 395 743**	**1 472 033**	**1 185 540**

The assets pledged by the Group and Company are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS
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45. Contingent liabilities and legal matters

At 31 March £'000	Group 2022	Group 2021	Company 2022	Company 2021
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	367 145	297 911	366 177	281 035
	367 145	**297 911**	**366 177**	**281 035**

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

Support is provided by Investec Bank plc to its subsidiaries where appropriate.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts 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 (IBP) 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 IBP by the Office of the Public Prosecutor. Whilst no formal proceedings have been issued against IBP 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, IBP 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 IBP has sought further information and clarification. Given the lack of information, it is not possible for IBP to reliably estimate the potential liability, if any, in relation to this matter.

IBP 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 IBP is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, IBP 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. IBP 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 IBP may seek to bring against those parties, should IBP incur any liability in the future. IBP 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 IBP 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 IBP in future in relation to the relevant transactions.

The Group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure may be expected to seriously prejudice its outcome.

NOTES TO THE FINANCIAL STATEMENTS
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46. Related party transactions

For the year to 31 March £'000	2022	2021
Compensation of key management personnel and directors		
Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24		
Related party transactions for the compensation of key management personnel and directors are disclosed in the directors' remuneration report on pages 149 to 165.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the Company, were as follows:		
Group and Company		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	6 148	5 459
Increase in loans	5 233	1 921
Decrease in loans*	(272)	(1 232)
At the end of the year	**11 109**	**6 148**
Guarantees		
At the beginning of the year	1 188	412
Additional guarantees granted	78	1 188
Decrease in guarantees*	(1 188)	(412)
At the end of the year	**78**	**1 188**
Deposits		
At the beginning of the year	(5 200)	(6 131)
Increase in deposits	(2 083)	(3 239)
Decrease in deposits*	962	4 170
At the end of the year	**(6 321)**	**(5 200)**

* Decrease includes changes in leadership during the current year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

46. Related party transactions (continued)

For the year ended 31 March 2022 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Balances with other related parties			
Assets			
Loans and advances to banks	—	8 179	8 179
Bank debt securities	9 888	—	9 888
Derivative financial instruments	24 324	158	24 482
Other loans and advances	24 344	—	24 344
Other assets	6 056	1 418	7 474
Liabilities			
Deposits by banks	—	3 894	3 894
Repurchase agreements and cash collateral on securities lent	—	16 331	16 331
Derivative financial instruments	—	3 373	3 373
Customer accounts (deposits)	322 342	7 848	330 189
Other liabilities	—	10 455	10 455

For the year ended 31 March 2021 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Balances with other related parties			
Assets			
Loans and advances to banks	—	11 348	11 348
Bank debt securities	9 885	—	9 885
Derivative financial instruments	—	833	833
Other loans and advances	38 921	—	38 921
Other assets	—	3 867	3 867
Liabilities			
Deposits by banks	—	31 617	31 617
Repurchase agreements and cash collateral on securities lent	—	18 342	18 342
Derivative financial instruments	1 488	8 862	10 350
Customer accounts (deposits)	162 963	7 359	170 322
Debt securities in issue	—	29 133	29 133
Other liabilities	—	5 241	5 241

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

In the normal course of business, services are provided between Investec Bank plc and other companies in the Investec Group. In the year to 31 March 2022, Investec Bank plc paid £19.7 million (2021: £12.3 million) to Investec Limited and its subsidiaries and received £1.2 million (2021: £0.3 million) from Investec plc and its subsidiaries for these services.

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

During the year to 31 March 2022, interest of £0.4 million (2021: £2.1 million) was paid to entities held by Investec Limited and £2.3 million (2021: £2.7 million) was paid to Investec plc and its subsidiaries. Interest of £110 000 (2021: £90 000) was received from Investec Limited and its subsidiaries and interest of £0.9 million (2021: £2.3 million) was received from Investec plc and its subsidiaries.

During the year to 31 March 2021, Investec Bank plc received income from the Ninety One Group (an associate of the Investec DLC Group) of £nil (2021: £342 000) from premises subleases (which ceased during the year) and income of £nil (2021: £8 000) relating to other business services provided to the Ninety One Group. In addition, £35 000 (2021: £292 000) of customer accounts (deposits) from the Ninety One Group are held on-balance sheet.

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.

There are no amounts due from associates and joint venture holdings in the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS
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46. Related party transactions (continued)

Balances and transactions between members of the Investec Bank plc Group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the Company and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the Group.

The Company, as a result of its position as parent of a Banking Group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the Company as follows:

For the year ended 31 March £'000	2022	2021
Company		
Assets		
Other debt securities	706 109	722 933
Derivative financial instruments	1 623	11 727
Other loans and advances	2 872 468	2 681 537
Other assets	61 120	30 270
Liabilities		
Deposits by banks	228 477	217 804
Derivative financial instruments	36 184	19 237
Customer accounts (deposits)	1 447 492	1 428 042
Other liabilities	37 825	35 102

Balances and transactions with Investec plc and Investec Limited and fellow subsidiaries of Investec Bank plc

The Company and its subsidiaries have balances due to and from its parent company, Investec plc, and Investec Limited and fellow subsidiaries. These are included on the balance sheet as follows:

For the year ended 31 March 2022 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Balances with other related parties			
Assets			
Loans and advances to banks	—	3 592	3 592
Other debt securities	9 887	—	9 887
Derivative financial instruments	24 324	158	24 482
Other loans and advances	31 927	86	32 013
Other assets	6 113	7 619	13 732
Liabilities			
Deposits by banks	—	3 894	3 894
Repurchase agreements and cash collateral on securities lent	—	16 331	16 331
Derivative financial instruments	—	3 373	3 373
Customer accounts (deposits)	304 405	7 847	312 252
Other liabilities	1 666	10 466	12 132

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

46. Related party transactions (continued)

For the year ended 31 March 2021 **£'000**	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Balances with other related parties			
Assets			
Loans and advances to banks	—	21 427	21 427
Other debt securities	9 884	—	9 884
Derivative financial instruments	—	829	829
Other loans and advances	38 951	—	38 951
Other assets	12 537	2 269	14 806
Liabilities			
Deposits by banks	—	1 576	1 576
Repurchase agreements and cash collateral on securities lent	—	18 342	18 342
Derivative financial instruments	1 488	8 851	10 339
Customer accounts (deposits)	139 970	7 882	147 852
Other liabilities	3 064	5 044	8 108

47. Hedges

The Group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted, Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the Group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the Group.

Fair value hedges
Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March **£'000**	Description of financial instrument designated as hedging instrument	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group							
2022							
Assets	Interest rate swap	3 439 311	93 874	99 731	119 195	(97 852)	(118 836)
Liabilities	Interest rate swap	1 914 493	(42 296)	(42 296)	(41 850)	42 136	41 667
		5 353 804	**51 578**	**57 435**	**77 345**	**(55 716)**	**(77 169)**
2021							
Assets	Interest rate swap	2 826 737	(25 225)	(21 545)	26 900	21 895	(26 623)
Liabilities	Interest rate swap	401 899	(445)	(445)	(1 582)	469	1 760
		3 228 636	**(25 670)**	**(21 990)**	**25 318**	**22 364**	**(24 863)**

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

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but the original hedging instrument remains in place.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Hedges (continued)

Included within balance sheet management and other trading activities in the income statement is a £0.2 million loss (2021: £0.1 million gain) arising from hedge ineffectiveness.

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

	Carrying amount of the hedged item	
At 31 March **£'000**	**2022**	2021
Hedged items		
Group		
Assets		
Sovereign debt securities	64 816	78 841
Other debt securities	2 977	15 201
Loans and advances to customers	3 250 658	2 600 554
Other assets	116 704	141 426
Liabilities		
Debt securities in issue	578 185	358 353
Customer accounts (deposits)	951 517	43 077
Subordinated liabilities	331 753	—

At 31 March **£'000**	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
Group							
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	**70 000**
Other debt securities	—	—	—	—	2 992	—	**2 992**
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	**3 251 288**
Other assets	2 496	5 001	7 564	15 383	86 260	—	**116 704**
Liabilities – notionals							
Debt securities in issue	—	9 478	—	13 857	585 623	—	**608 958**
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	**955 534**
Subordinated liabilities	—	—	—	—	350 000	—	**350 000**
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	89 285
Other debt securities	—	—	—	1 770	13 224	—	14 994
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							
Debt securities in issue	—	—	—	—	353 894	5 292	359 186
Customer accounts (deposits)	—	—	35 004	2 000	5 710	—	42 714

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Hedges (continued)

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 instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Company							
2022							
Assets	Interest rate swap	3 324 281	94 957	94 957	112 587	(94 936)	(112 859)
Liabilities	Interest rate swap	1 914 493	(42 296)	(42 296)	(41 850)	42 136	41 667
		5 238 774	**52 661**	**52 661**	**70 737**	**(52 800)**	**(71 192)**
2021							
Assets	Interest rate swap	2 686 822	(17 629)	(17 629)	22 040	17 922	(21 723)
Liabilities	Interest rate swap	401 899	(445)	(445)	(1 582)	469	1 760
		3 088 721	**(18 074)**	**(18 074)**	**20 458**	**18 391**	**(19 963)**

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

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but the original hedging instrument remains in place.

Included within balance sheet management and other trading activities in the income statement is a £0.2 million loss (2021: £0.1 million gain) arising from hedge ineffectiveness.

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

At 31 March £'000	Carrying amount of the hedged item 2022	 2021
Hedged items		
Company		
Assets		
Sovereign debt securities	64 816	78 841
Other debt securities	2 977	15 201
Loans and advances to customers	3 250 658	2 600 554
Liabilities		
Debt securities in issue	578 185	358 353
Customer accounts (deposits)	951 517	43 077
Subordinated liabilities	331 753	—

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
Company							
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	**70 000**
Other debt securities	—	—	—	—	2 992	—	**2 992**
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	**3 251 288**
Liabilities – notionals							
Debt securities in issue	—	9 478	—	13 857	585 623	—	**608 958**
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	**955 534**
Subordinated liabilities	—	—	—	—	350 000	—	**350 000**
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	89 285
Other debt securities	—	—	—	1 770	13 224	—	14 994
Loans and advances to customers	—	2 254	18 421	73 955	2 125 771	362 140	2 582 541
Liabilities – notionals							
Debt securities in issue	—	—	—	—	353 894	5 292	359 186
Customer accounts (deposits)	—	—	35 004	2 000	5 710	—	42 714

Hedges of net investments in foreign operations

In the prior year, Investec Bank plc 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. These have been terminated during the year following closure of Australia operations.

At 31 March £'000	2022	2021
Group		
Hedging instrument positive fair value	—	(145)
Hedging instrument negative fair value	—	—

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2022								
Liabilities								
Deposits by banks	368 388	2 413	—	4 858	16 686	1 734 261	—	2 126 606
Derivative financial instruments	170 207	37 722	138 148	83 427	203 310	228 740	1 945	863 499
Derivative financial instruments – held for trading	129 465	—	—	—	—	—	—	129 465
Derivative financial instruments – held for hedging risk	40 742	37 722	138 148	83 427	203 310	228 740	1 945	734 034
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	—	—	—	51 099	—	154 828
Customer accounts (deposits)	8 029 329	620 694	3 519 417	3 340 521	1 993 074	1 145 866	18 146	18 667 047
Debt securities in issue	—	9 092	25 750	55 671	61 870	1 036 499	2 104	1 190 986
Liabilities arising on securitisation of other assets	—	—	3 459	3 322	6 632	43 125	62 856	119 394
Other liabilities*	84 785	671 664	162 620	37 189	82 016	307 008	49 959	1 395 241
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**8 737 745**	**1 403 222**	**3 849 394**	**3 542 838**	**2 372 776**	**4 654 748**	**986 648**	**25 547 371**
Contingent liabilities	928	620	61 979	2 032	74 416	190 213	36 957	367 145
Commitments	170 177	116 393	73 050	108 002	202 980	1 084 019	378 336	2 132 957
Total liabilities	**8 908 850**	**1 520 235**	**3 984 423**	**3 652 872**	**2 650 172**	**5 928 980**	**1 401 941**	**28 047 473**

* Included within other liabilities are £554 million of non-financial instruments scoped out of IFRS 9.

The balances in the above table will not agree directly to the balances in the consolidated balance sheet, as the table incorporates all cash flows on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows, refer to pages 96 to 98.

NOTES TO THE FINANCIAL STATEMENTS
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48. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2021								
Liabilities								
Deposits by banks	253 637	51 012	1 318	2 439	718 396	366 502	—	1 393 304
Derivative financial instruments	453 529	56 987	60 624	59 000	96 280	216 676	15 405	958 501
Derivative financial instruments – held for trading	197 477	—	—	—	—	—	—	197 477
Derivative financial instruments – held for hedging risk	256 052	56 987	60 624	59 000	96 280	216 676	15 405	761 024
Other trading liabilities	49 055	—	—	—	—	—	—	49 055
Repurchase agreements and cash collateral on securities lent	55 767	53 869	—	—	47 721	—	—	157 357
Customer accounts (deposits)	6 269 767	873 778	2 776 876	3 308 620	1 140 326	1 823 937	118 975	16 312 279
Debt securities in issue	30 327	8 448	58 692	58 254	101 089	942 083	30 620	1 229 513
Liabilities arising on securitisation of other assets	—	—	2 348	2 178	4 256	31 307	85 503	125 592
Other liabilities*	74 028	463 147	68 727	87 122	111 759	349 903	62 532	1 217 218
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on-balance sheet liabilities	**7 186 110**	**1 507 241**	**2 968 585**	**3 535 463**	**2 557 430**	**3 801 808**	**786 585**	**22 343 222**
Contingent liabilities	1 206	6 114	381	8 879	26 123	217 423	37 785	297 911
Commitments	138 360	145 179	23 633	40 096	145 149	1 061 267	463 860	2 017 544
Total liabilities	**7 325 676**	**1 658 534**	**2 992 599**	**3 584 438**	**2 728 702**	**5 080 498**	**1 288 230**	**24 658 677**

* Included within other liabilities are £571 million of non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2022								
Liabilities								
Deposits by banks	556 370	2 413	—	4 858	16 686	1 734 261	—	2 314 588
Derivative financial instruments	161 567	34 581	132 995	81 769	193 226	222 681	1 790	828 609
Derivative financial instruments – held for trading	120 825	—	—	—	—	—	—	120 825
Derivative financial instruments – held for hedging risk	40 742	34 581	132 995	81 769	193 226	222 681	1 790	707 784
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	43 075	—	—	51 099	—	197 903
Customer accounts (deposits)	6 238 454	501 272	3 009 799	3 342 665	2 132 974	2 109 779	18 131	17 353 074
Debt securities in issue	—	9 092	25 761	55 671	61 870	1 036 499	910	1 189 803
Other liabilities*	71 229	376 989	110 660	10 545	51 786	41 084	17 311	679 604
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**7 112 656**	**985 984**	**3 322 290**	**3 513 358**	**2 465 730**	**5 303 553**	**889 780**	**23 593 351**
Contingent liabilities	1 548	620	61 875	1 411	73 554	190 213	36 957	366 178
Commitments	57 269	106 194	73 917	104 165	198 726	1 084 019	378 336	2 002 626
Total liabilities	**7 171 473**	**1 092 798**	**3 458 082**	**3 618 934**	**2 738 010**	**6 577 785**	**1 305 073**	**25 962 155**

* Included within other liabilities are £194 million of non-financial instruments scoped out of IFRS 9.

The balances in the above table will not agree directly to the balances in the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2021								
Liabilities								
Deposits by banks	431 813	51 012	386	1 501	638 143	366 502	—	1 489 357
Derivative financial instruments	428 149	54 037	56 348	56 265	88 792	211 609	15 046	910 246
Derivative financial instruments – held for trading	172 116	—	—	—	—	—	—	172 116
Derivative financial instruments – held for hedging risk	256 033	54 037	56 348	56 265	88 792	211 609	15 046	738 130
Other trading liabilities	49 055	—	—	—	—	—	—	49 055
Repurchase agreements and cash collateral on securities lent	55 767	53 869	—	—	47 721	—	—	157 357
Customer accounts (deposits)	4 851 439	873 393	2 363 014	3 305 600	1 290 643	2 762 275	118 960	15 565 324
Debt securities in issue	—	7 055	60 084	58 254	101 089	942 083	30 620	1 199 185
Other liabilities*	64 691	251 196	13 775	68 749	57 858	50 422	25 914	532 605
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on-balance sheet liabilities	**5 880 914**	**1 290 562**	**2 493 607**	**3 508 219**	**2 561 849**	**4 404 291**	**664 090**	**20 803 532**
Contingent liabilities	1 797	6 114	—	8 495	24 918	201 927	37 785	281 036
Commitments	16 521	131 622	23 605	42 050	133 194	1 051 634	463 847	1 862 473
Total liabilities	**5 899 232**	**1 428 298**	**2 517 212**	**3 558 764**	**2 719 961**	**5 657 852**	**1 165 722**	**22 947 041**

* Included within other liabilities are £153 million of non-financial instruments scoped out of IFRS 9.

49. Principal subsidiaries and associated companies – Investec Bank plc

			Interest	
At 31 March	Principal activity	Country of incorporation	**2022**	2021
Direct subsidiaries of Investec Bank plc				
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing	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 Wealth & Investment Limited	Investment management services	England and Wales	100.0%	100.0%
Indirect subsidiary undertakings of Investec Bank plc				
Investec Europe Limited	MiFiD Firm	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	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 28.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note 55 on pages 284 to 288.

Consolidated structured entities

Investec Bank 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 27.

Details of the risks to which the Group is exposed through all of its securitisations are included in the risk management report on page 90.

49. Principal subsidiaries and associated companies – Investec Bank 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 a portfolio 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 (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the Group is discussed in the risk management report on pages 109 to 110.

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 19 and 52.

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CONTINUED

49. Principal subsidiaries and associated companies – Investec Bank plc (continued)

Structured associates
The Group has investments in a number of structured funds specialising in aircraft financing where the Group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the Group has significant influence over the fund and therefore the funds are treated as associates.

The Group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

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

31 March 2022 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	15 297	Limited to the carrying value	Investment income	1 782
31 March 2021 £'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 income	204

50. Unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate, but in which it holds an interest as originally set up. In making the assessment of whether to consolidate these structured entities, the Group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 188 to 199.

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 FINANCIAL STATEMENTS
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50. Unconsolidated structured entities (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.

31 March 2022 £'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**
Residential mortgage securitisations	Other loans and advances	—	Limited to the carrying value	—	Net interest expense	71
31 March 2021 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	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 loans and advances	627	Limited to the carrying value	1 583	Net interest expense	134

Financial support provided to the unconsolidated structured entities
There are no contractual agreements which require the Group to provide any additional financial or non-financial support to these structured entities.

During the year, the Group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring
The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

Interests in structured entities which the Group has not set up
Purchased securitisation positions
The Group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the Group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities, and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 90.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. 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**
Group						
2022						
Assets						
Cash and balances at central banks	5 379 994	—	5 379 994	—	—	5 379 994
Loans and advances to banks	1 467 039	—	1 467 039	—	(45 950)	1 421 089
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	1 165 777	—	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	61 714	—	—	61 714
Other debt securities	437 649	—	437 649	—	—	437 649
Derivative financial instruments	717 457	—	717 457	(272 446)	(209 749)	235 262
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	333 221	—	333 221	—	—	333 221
Loans and advances to customers	14 426 475	—	14 426 475	—	—	14 426 475
Other loans and advances	147 025	—	147 025	—	(5 930)	141 095
Other securitised assets	93 087	—	93 087	—	—	93 087
Other assets	1 161 549	—	1 161 549	—	—	1 161 549
	27 001 625	**—**	**27 001 625**	**(408 530)**	**(277 167)**	**26 315 928**
Liabilities						
Deposits by banks	2 026 573	—	2 026 573	—	(215 054)	1 811 519
Derivative financial instruments	863 295	—	863 295	(298 340)	(47 482)	517 473
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	154 828	—	154 828	(25 761)	(4 348)	124 719
Customer accounts (deposits)	18 616 233	—	18 616 233	—	(10 233)	18 606 000
Debt securities in issue	1 120 841	—	1 120 841	(46 142)	(50)	1 074 649
Liabilities arising on securitisation of other assets	95 885	—	95 885	—	—	95 885
Other liabilities	1 360 071	—	1 360 071	—	—	1 360 071
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	25 039 409	**—**	**25 039 409**	**(408 530)**	**(277 167)**	**24 353 712**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Group						
2021						
Assets						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 383 602	—	1 383 602	—	(124 649)	1 258 953
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	1 108 253	—	1 108 253	(232 592)	—	875 661
Bank debt securities	48 044	—	48 044	—	—	48 044
Other debt securities	708 845	—	708 845	—	—	708 845
Derivative financial instruments	773 334	—	773 334	(299 446)	(144 900)	328 988
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	350 941	—	350 941	—	—	350 941
Loans and advances to customers	12 316 313	—	12 316 313	—	—	12 316 313
Other loans and advances	162 456	—	162 456	—	(4 628)	157 828
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 395 915	—	1 395 915	—	—	1 395 915
	23 744 873	**—**	**23 744 873**	**(713 982)**	**(317 457)**	**22 713 434**
Liabilities						
Deposits by banks	1 352 279	—	1 352 279	—	(219 441)	1 132 838
Derivative financial instruments	916 352	—	916 352	(532 037)	(63 783)	320 532
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	16 240 634	—	16 240 634	—	(29 335)	16 211 299
Debt securities in issue	1 193 378	—	1 193 378	(118 690)	(347)	1 074 341
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 183 862	—	1 183 862	—	—	1 183 862
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	21 972 679	**—**	**21 972 679**	**(713 982)**	**(317 457)**	**20 941 240**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

At 31 March £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Company						
2022						
Assets						
Cash and balances at central banks	5 326 533	—	5 326 533	—	—	5 326 533
Loans and advances to banks	535 738	—	535 738	—	(45 731)	490 007
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	323 494	—	323 494	—	—	323 494
Bank debt securities	57 844	—	57 844	—	—	57 844
Other debt securities	1 144 024	—	1 144 024	—	—	1 144 024
Derivative financial instruments	672 124	—	672 124	(271 754)	(208 245)	192 125
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	70 229	—	70 229	—	—	70 229
Loans and advances to customers	10 930 443	—	10 930 443	—	—	10 930 443
Other loans and advances	3 027 162	—	3 027 162	—	(5 930)	3 021 232
Other securitised assets	5 083	—	5 083	—	—	5 083
Other assets	615 033	—	615 033	—	—	615 033
	24 318 345	**—**	**24 318 345**	**(407 838)**	**(275 444)**	**23 635 063**
Liabilities						
Deposits by banks	2 214 555	—	2 214 555	—	(213 550)	2 001 005
Derivative financial instruments	828 405	—	828 405	(297 648)	(47 263)	483 493
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	197 903	—	197 903	(25 761)	(4 348)	167 794
Customer accounts (deposits)	17 290 014	—	17 290 014	—	(10 233)	17 279 781
Debt securities in issue	1 119 658	—	1 119 658	(46 142)	(50)	1 073 466
Other liabilities	676 409	—	676 409	—	—	676 409
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	23 128 627		**23 128 627**	**(407 838)**	**(275 444)**	**22 445 344**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

At 31 March £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Company						
2021						
Assets						
Cash and balances at central banks	2 993 119	—	2 993 119	—	—	2 993 119
Loans and advances to banks	454 596	—	454 596	—	(61 847)	392 749
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	542 016	—	542 016	(232 592)	—	309 424
Bank debt securities	43 781	—	43 781	—	—	43 781
Other debt securities	1 401 707	—	1 401 707	—	—	1 401 707
Derivative financial instruments	742 869	—	742 869	(295 041)	(144 209)	303 619
Securities arising from trading activities	278 074	—	278 074	(59 977)	—	218 097
Investment portfolio	67 948	—	67 948	—	—	67 948
Loans and advances to customers	9 360 090	—	9 360 090	—	—	9 360 090
Other loans and advances	2 813 729	—	2 813 729	—	(4 628)	2 809 101
Other securitised assets	5 774	—	5 774	—	—	5 774
Other assets	702 351	—	702 351	—	—	702 351
	21 471 286	**—**	**21 471 286**	**(709 577)**	**(253 964)**	**20 507 745**
Liabilities						
Deposits by banks	1 451 745	—	1 451 745	—	(158 533)	1 293 212
Derivative financial instruments	885 793	—	885 793	(527 632)	(61 576)	296 585
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	15 493 774	—	15 493 774	—	(28 957)	15 464 817
Debt securities in issue	1 163 050	—	1 163 050	(118 690)	(347)	1 044 013
Other liabilities	528 547	—	528 547	—	—	528 547
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	20 500 802	**—**	**20 500 802**	**(709 577)**	**(253 964)**	**19 537 261**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

52. Derecognition

Group

Transfer of financial assets that do not result in derecognition
The Group has been party to securitisation transactions whereby assets continue to be recognised on-balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

No derecognition achieved £'000	2022 Carrying amount of assets that continue to be recognised	2022 Carrying amount of associated liabilities	2021 Carrying amount of assets that continue to be recognised	2021 Carrying amount of associated liabilities
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 on 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 19.

Company

The Company has not been party to transactions that resulted in a transfer of financial assets that did not result in derecognition.

53. Investment in subsidiary companies

At 31 March £'000	2022	2021
Cost		
At the beginning of the year	963 179	963 194
Acquisitions of subsidiaries	21 984	50
Sale of subsidiary	(15 077)	—
Return of capital by subsidiary	(24 280)	—
Liquidation of subsidiaries	(1 096)	—
Exchange adjustments	56	(65)
At the end of the year	**944 766**	**963 179**
Provision for impairment in value		
At the beginning of the year	(117 340)	(104 908)
Impairment of subsidiaries	(9 994)	(12 432)
Sale of subsidiary	10 167	—
At the end of the year	**(117 167)**	**(117 340)**
Carrying value at the end of the year	**827 599**	**845 839**

All subsidiary undertakings are unlisted.

Acquisitions of £22 million during the year are from other Group companies as part of restructures of Group businesses. Other movements are primarily driven by Investec Australia return of capital of £24 million and an impairment of £8.6 million raised due to the closure of Australia operations and the sale of Investec Capital Asia Limited as part of restructure of the business in Hong Kong resulting in a decrease in cost of £15 million and accumulated impairment of £10 million.

During the prior year, impairments of £12.4 million relating to two subsidiaries were recognised, as the cost of investments exceeded the recoverable amounts, based on financial budgets approved by management.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

54. Subsequent events

The Group has considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items identified of sufficient significance to warrant additional disclosure.

The Group is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

For subsequent events relating to contingent liabilities see note 45.

NOTES TO THE FINANCIAL STATEMENTS
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55. Subsidiaries

At 31 March 2022	Principal activity	Interest held
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
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%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc*	Debt issuer	100%
Investec Investments (UK) Limited*	Investment holding company	100%
Inv-German Retail Limited	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%
Tudor Tree Properties Limited*	Property company	100%
Willbro Nominees Limited*	Nominee	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Capital Solutions Limited*	Lending company	100%
Diagonal Nominees Limited*	Nominee	100%
F&K SPF Limited*	Property company	100%
Nars Holdings Limited	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 Limited	Non-trading	100%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
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55. Subsidiaries (continued)

At 31 March 2022	Principal activity	Interest held
Registered office: 30 Gresham Street, London EC2V 7QN, UK		
Investec Wealth & Investment Limited*	Investment management services	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
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		
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%
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%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Subsidiaries (continued)

At 31 March 2022	Principal activity	Interest held
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee	100%
Registered office: 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%
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%
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%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Subsidiaries (continued)

At 31 March 2022	Principal activity	Interest held
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited*	Property company	100%
Investec Holdings (Ireland) Limited*	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Private Finance Ireland Limited	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%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Limited	Securities services	100%
Switzerland		
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG*	Banking institution and wealth manager	100%
United States of America		
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
US Multifamily GP LLC*	Investment holding company	100%
Investec USA Holdings 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%
Maben Coal LLC	Investment holding company	100%
Carbon Resources Development Inc	Mining company	100%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
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55. Subsidiaries (continued)

Associates and joint venture holdings

At 31 March 2022	Principal activity	Interest held
Australia **Registered office: Point Cook Road, Point Cook, Victoria, Australia**		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands **Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands**		
imarkets (Holdings) Limited	Online trading platform	33%
India **Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India**		
JSM Advisers Private Limited	Fund management	55%
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%
Germany **Registered office: Sonnenberger Strabe 16, 65193 Wiesbaden**		
Capitalmind GmbH	Advisory services	30%
Netherlands **Registered office: Reitschweg 49, 5232BX's-Hertogenbosch, the Netherlands**		
Capitalmind Partner B.V.	Advisory services	30%
France **Registered office: 151 Boulevard Haussman, 75008 Paris, France**		
Capitalmind SAS	Advisory services	30%
Hong Kong **Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong**		
Templewater Hong Kong Limited	Investment banking	50%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

56. Investec Bank plc Company risk disclosures

Investec Bank plc Company follows the Group risk policies and appetite disclosure on pages 52 to 71. The market risk in the trading book is the same at the Group and Company level, the disclosure is made on pages 91 to 94. The following tables present the risk disclosures for the Company which are required under IFRS 7. Equivalent Investec Bank plc Group disclosures can be found on page 72, page 79 and page 89.

An analysis of gross core loans, asset quality and ECL

£'million	31 March 2022	31 March 2021
Loans and advances to customers per the balance sheet	10 930	9 360
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
Net core loans	**10 927**	**9 355**
of which amortised cost and FVOCI ('subject to ECL')	10 419	8 870
of which FVPL	508	485
Add: ECL	89	125
Gross core loans	**11 016**	**9 480**
of which amortised cost and FVOCI ('subject to ECL')	10 508	8 995
of which FVPL	508	485

£'million	31 March 2022	31 March 2021
Gross core loans	**11 016**	**9 480**
Gross core loans at FVPL	508	485
Gross core loans subject to ECL	**10 508**	**8 995**
Stage 1	9 662	7 831
Stage 2	607	893
of which past due greater than 30 days	19	52
Stage 3	239	271
of which Ongoing (excluding Legacy) Stage 3*	188	193
ECL	**(89)**	**(125)**
Stage 1	(21)	(17)
Stage 2	(22)	(29)
Stage 3	(46)	(79)
of which Ongoing (excluding Legacy) Stage 3*	(19)	(44)
Coverage ratio		
Stage 1	0.22%	0.22%
Stage 2	3.8%	3.2%
Stage 3	19.2%	29.2%
of which Ongoing (excluding Legacy) Stage 3*	10.1%	22.8%
Credit loss ratio	**0.13%**	**0.69%**
ECL impairment charges on core loans	(13)	(60)
Average gross core loans subject to ECL	9 752	8 693
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	193	192
of which Ongoing (excluding Legacy) Stage 3*	169	149
Aggregate collateral and other credit enhancements on Stage 3	201	196
Stage 3 as a % of gross core loans subject to ECL	2.3%	3.0%
of which Ongoing (excluding Legacy) Stage 3*	1.8%	2.1%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.9%	2.2%
of which Ongoing (excluding Legacy) Stage 3*	1.6%	1.7%

* Refer to definitions on page 292.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

56. Investec Bank plc Company risk disclosures (continued)

An analysis of gross credit and counterparty exposures

£'million	31 March 2022	31 March 2021
Cash and balances at central banks	5 327	2 993
Loans and advances to banks	536	455
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	2 065
Sovereign debt securities	323	542
Bank debt securities	58	44
Other debt securities	1 149	1 403
Derivative financial instruments	628	703
Securities arising from trading activities	26	28
Loans and advances to customers	11 016	9 480
Other loans and advances	3 027	2 814
Other securitised assets	5	6
Other assets	116	340
Total on-balance sheet exposures	**23 658**	**20 873**
Guarantees	40	44
Committed facilities related to loans and advances to customers	1 927	1 758
Contingent liabilities, letters of credit and other	326	237
Total off-balance sheet exposures	**2 293**	**2 039**
Total gross credit and counterparty exposures	**25 951**	**22 912**

Summary of investments held and stress testing analyses

£'million Category	On-balance sheet value of investments 31 March 2022	On-balance sheet value of investments 31 March 2021
Unlisted investments	70	65
Listed equities	—	3
Total investment portfolio	**70**	**68**
Warrants and profit shares	6	5
Total	**76**	**73**

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the Group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the Board of Directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below for the Group

£'000	31 March 2022	31 March 2021
Operating profit before goodwill, acquired intangibles and strategic actions	287 683	107 440
Add: Loss attributable to non-controlling interests	—	861
Adjusted operating profit	**287 683**	**108 301**

Annuity income	Net interest income plus net annuity fees and commissions Refer to page 202.
Core loans	The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans.

£'million	31 March 2022	31 March 2021
Loans and advances to customers per the balance sheet	14 426	12 316
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
Net core loans	**14 423**	**12 311**
of which amortised cost and FVOCI ('subject to ECL')	13 814	11 799
of which FVPL	609	512
Add: ECL	134	169
Gross core loans	**14 557**	**12 480**
of which amortised cost and FVOCI ('subject to ECL')	13 948	11 968
of which FVPL	609	512

Cost to income ratio	Refer to calculation in the table below for the Group

£'000	31 March 2022	31 March 2021
Operating costs (A)	760 286	757 758
Total operating income before expected credit loss impairment charges	1 073 332	936 332
Add: Loss attributable to non-controlling interests	—	861
Total (B)	1 073 332	937 193
Cost to income ratio (A/B)	**70.8%**	**80.9%**

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 202
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

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

ECL
Expected credit loss

Funds under management
Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and lease receivables.

Refer to page 202 for calculation

Interest-bearing liabilities
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, and lease liabilities.

Refer to page 202 for calculation

Legacy business in the UK Specialist Bank ('Legacy')
Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero
Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered

Ongoing basis
Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions
Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of Group restructures

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 90 for detail

Subject to ECL
Includes financial assets held at amortised cost and FVOCI

GLOSSARY

A2X	A2X Markets stock exchange (South Africa)
ABC	Anti-bribery and corruption
ADR Forum	Arrears, Default and Recovery Forum
ALCO	Asset and Liability Committee
AML	Anti-money laundering
APRA	Australian Prudential Regulation Authority
AGM	Annual general meeting
AT1	Additional Tier 1
BaaS	Banking-as-a-Service
BBLS	Bounce Back Loan Scheme
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive
CET1	Common Equity Tier 1
CFP	Contingency funding plan
CFT	Combating the financing of terrorism
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CLO	Collateralised loan obligation
COFI Bill	Conduct of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRD IV	Capital Requirements Directive IV
CRD V	Capital Requirements Directive V
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
Euribor rate	Euro interbank offered rate
EVA	Economic Value Added
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross domestic product
Group ERC	Group Executive Risk Committee
GFSC	Guernsey Financial Services Commission
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
HNW	High net worth
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
IAPF	Investec Australia Property Fund
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP PDMRs	IBP Persons Discharging Managerial Responsibilities
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IBOR	Interbank offered rate
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LHS	Left hand side
LIBOR	London Inter-bank Offered Rate
LSE	London Stock Exchange
LTIP	Long-term incentive plan
MDR	Mandatory Disclosure Rules
MREL	Minimum Requirements for Own Funds and Eligible Liabilities

GLOSSARY
CONTINUED

MRT	Material Risk Taker
NCI	Non-controlling interests
NED	Non-Executive Director
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PDMR	Persons Discharging Managerial Responsibilities
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RLS	Recovery Loan Scheme
RWA	Risk-weighted asset
RFR	Risk-free rate
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SIPP	Self Invested Personal Pension
SMCR	Senior Management and Certification Regime
SME	Small and Medium-sized Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
sVaR	Stressed VaR
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
VR	Variable Remuneration

CREDIT RATINGS

In terms of our DLC structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the Investec group, namely IBP and Investec Bank Limited (IBL). Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

On 19 October 2021, Moody's affirmed IBP's long-term deposit rating at A1 (stable outlook) and Investec plc's rating at Baa1 (stable outlook).

On 14 July 2021, Fitch affirmed IBP's long-term Issuer Default Rating (IDR) at BBB+ and revised the outlook to Stable from Negative. The revision of the outlook followed the revision of the UK sovereign's outlook to Stable, and Fitch's improved expectations for the UK's economic recovery.

Our ratings at 21 June 2022 were as follows:

Rating agency	Investec plc	IBP A subsidiary of Investec plc
Fitch		
Long-term ratings		BBB+
Short-term ratings		F2
Outlook		Stable
Moody's		
Long-term ratings	Baa1	A1
Short-term ratings	P-2	P-1
Outlook	Stable	Stable
Global Credit Ratings		
Long-term ratings		BBB+
Short-term ratings		A2
Outlook		Stable

Further information on Investec's credit ratings may be found on our website.

CORPORATE INFORMATION

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