Investec

OUT OF THE ORDINARY

Possibilities and opportunities

Investec annual report 2022

Investec plc silo (excluding Investec Limited) 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.

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

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

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01

Operational and strategic overview

IN THIS SECTION

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

Investec plc, which houses our non-Southern African businesses, has been listed on the London Stock Exchange since 2002.

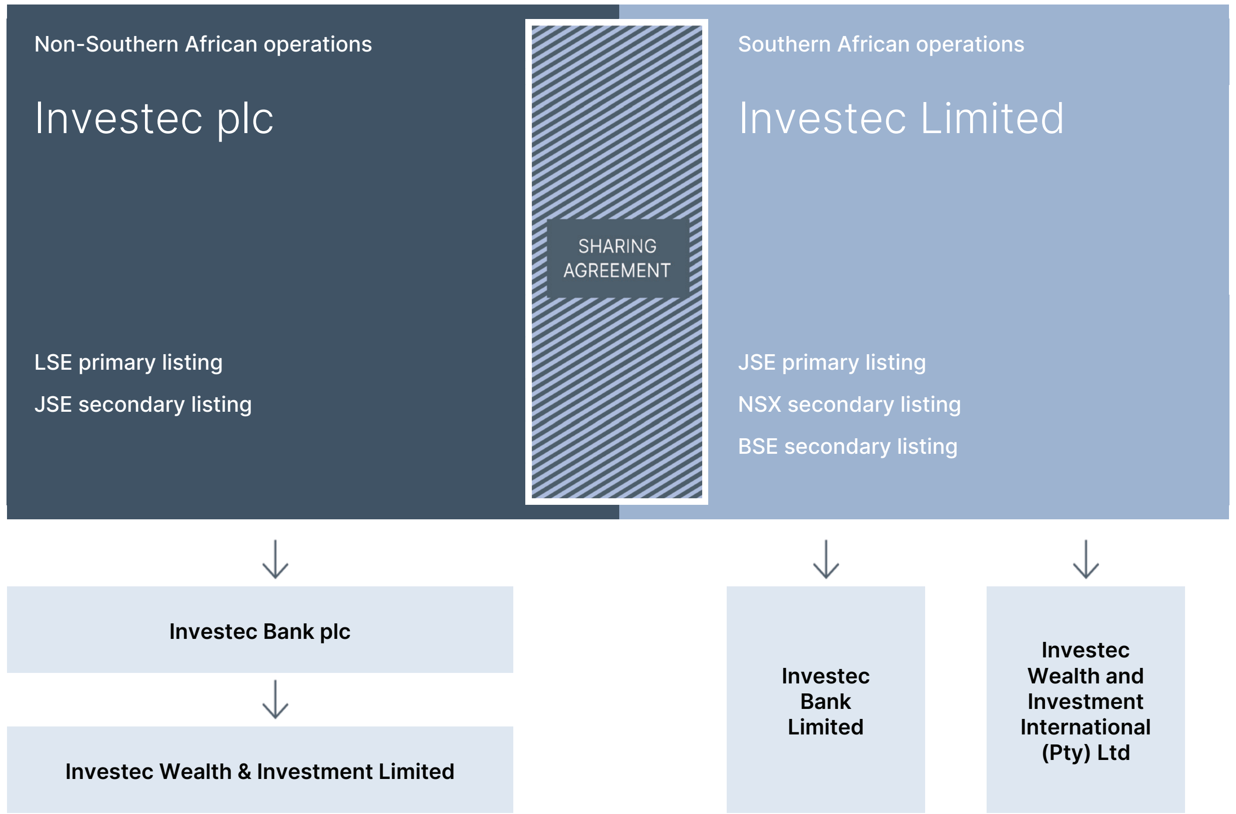
During July 2002, Investec Group Limited (since renamed Investec Limited) implemented a dual-listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

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

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

How we are structured



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

Salient features of the DLC structure

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

OVERVIEW OF THE ACTIVITIES OF INVESTEC PLC

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

Specialist Banking

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

What makes us distinct?

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

Focus on helping our clients create and preserve wealth	A highly valued partner and adviser to our clients
High net worth (HNW) 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 HNW active wealth creators (with >£300k annual income and >£3mn net asset value). 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 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 £44.4bn.

What makes us distinct?

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

Our client groups
- Private clients – domestic and international
- Clients of professional advisors
- 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.

02

Risk management and governance

IN THIS SECTION

Risk management

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 27 to 71 with further disclosures provided within the annual financial statements section on pages 94 to 187.

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 plc consolidated basis unless otherwise stated.

Investec plc 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 Group 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) and Investec plc's rating is Baa1 (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 17.0% 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 Group'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 or 7.1% as a proportion of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 10.4%), 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. Investec plc applies the IFRS 9 transitional arrangements (including COVID-19 ECL add-backs) to regulatory capital calculations to absorb the impact permissible of IFRS 9 over time.

The 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 44.

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 2.8% over the year under review to £694 million at 31 March 2022.

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

The Group continued to maintain a sound balance sheet with a low gearing ratio of 10.4 times and a core loans to equity ratio of 5.4 times at 31 March 2022. The Group's leverage ratio was 9.0% ahead of the minimum 6% target level. The increase in Investec plc's 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 Common Equity Tier 1 (CET1) ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The Group is on the standardised approach for capital. The CET1 ratio was 11.4% 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.

Investec plc 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 Group cash balances due to ongoing market volatility as well as to support the ongoing digital transition.

Customer accounts (deposits) totalled £18.3 billion at 31 March 2022 (31 March 2021: £16.1 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 products.

Loans and advances to customers as a percentage of customer deposits remained conservative at 78.9%. The Group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Investec plc reported a LCR of 457% and a NSFR of 145% at 31 March 2022.

Looking forward, the focus remains on having an optimised funding mix through the retail market, in line with the Group'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).

Countering financial and cyber crime are high priorities, particularly given the heightened cyber risk at present due to the Russian invasion of Ukraine. The Group 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 Group 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 Group. The impact of digitalisation initiatives and cloud adoption on the Group'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

The Group 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 Group's culture and performance as well as consequential impacts on talent retention.

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's stress testing framework is well embedded in its operations and is designed to identify and regularly test the Group's key vulnerabilities under stress. A fundamental part of the stress testing process is a full and comprehensive analysis of the Group's material business activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the Group's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the Group. Reverse stress tests are conducted to stress the Group's business plan to failure and consider a broad variety of extreme and remote events. These processes allows the Group 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 Group has robust systems and processes in place to manage these risks and that, while under a severe stress scenario business activity would be very subdued, the Group would continue to maintain adequate liquidity and capital balances to support the continued operation of the Group.

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 Group, 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	12 331
Total assets (£'million)	27 946	24 802
Total risk-weighted assets (£'million)	16 980	16 332
Total equity (£'million)	2 680	2 506
Funds under management (£'million)	44 419	41 708
Cash and near cash (£'million)	8 871	6 857
Customer accounts (deposits) (£'million)	18 294	16 078
Loans and advances to customers as a % of customer deposits	78.9%	76.7%
Structured credit as a % of total assets	1.5%	2.3%
Banking book investment and equity risk exposures as a % of total assets	2.5%	3.0%
Traded market risk: 95% one-day value at risk (£'million)	0.4	0.5
Core loans to equity ratio	5.4x	4.9x
Total gearing ratio*	10.4x	9.9x
Return on average assets#	0.88%	0.28%
Return on average risk-weighted assets#	1.40%	0.42%
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	6.4%	6.6%
Total capital ratio	16.5%	14.9%
Tier 1 ratio	12.8%	12.7%
Common Equity Tier 1 ratio	11.4%	11.0%
Leverage ratio	9.0%	7.8%
Leverage ratio (fully loaded)	8.7%	7.4%

* Total assets to total equity..
\# Average balances are calculated on a straight-line average.
\## Refer to definitions of page 189.

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

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

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

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

The Group 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 functions: responsible for building and embedding risk frameworks, challenging the business lines' inputs to, and outputs from, the Group's risk management, risk measurement and reporting activities
- **Level 3** – Independent internal audit: responsible for reviewing and testing the application and effectiveness of risk management procedures and practices.

Overall Group risk appetite

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

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

A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the Board. In the section that follows, the Group's high-level summary of overall risk 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 Group, 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 27 to 44

Monitoring and mitigation activities

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

Risk appetite and tolerance metric	Positioning at 31 March 2022
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 maintained this risk tolerance level throughout the year.
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%.	We currently remain within all tolerance levels given the current weakened economic environment. The Group 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 11.6%.

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

03 Risk management and governance
Investec plc Annual Financial Statements 2022

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 28

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	Positioning at 31 March 2022
We have a preference for primary exposure in the Group's main operating geography (i.e. the UK). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client.	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 28 and page 47, 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 our 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	Positioning at 31 March 2022
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.	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 Group's investment (private equity) and property investment activities, where the Group invests in largely unlisted companies and select property investments, with risk taken directly on the Group's balance sheet

Link to strategy

Further information

Read more on page 48

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2022

Our unlisted investment portfolio amounted to £336 million, representing 17.4% 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 50 to 53

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 54 to 61

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
- The Group maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency
- Our core loans must be fully funded by stable funding
- The Group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow
- The balance sheet risk management teams independently monitor key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruptions
- Daily liquidity stress tests are carried out in order to help accurately measure the liquidity profile and ensure that in the absence of market or funding liquidity during periods of stress, we would continue to meet our obligations.

Risk appetite and tolerance metric

We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash 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 48.5% 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

Capital discipline

Further information

Read more on pages 58 to 61

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 Group's risk appetite framework as a proportion of capital in order to limit volatility.

Positioning at 31 March 2022

Investec plc 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 Group

Link to strategy

Capital discipline

Further information

Read more on pages 67 to 71

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%.
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 for Investec plc 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 9.0%.
Investec plc met all these targets. Capital has grown over the period.

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

Connectivity

Further information

Read more on page 64

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 shareholders, customers and all stakeholders
- The Group has a disclosure and market communications policy which is reviewed and approved annually by Group ERC and DLC BRCC.

Risk appetite and tolerance metric

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 5 to 72 of the Investec Group's 2022 integrated and strategic annual report

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
- Group strategy is directed towards generating and sustaining a diversified income base for the Group
- In the instance where income falls, we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.

Risk appetite and tolerance metric

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

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

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

Positioning at 31 March 2022

Capital light activities contributed 46.6% to total operating income and balance sheet driven activities contributed 53.4%.

Annuity income amounted to 73.6% of total operating income.

The cost to income ratio amounted to 71.3%.

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 64

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.

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 Group 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 62 to 63

Monitoring and mitigation activities

- Investec manages operational risk through an embedded operational risk management framework
- Operational risk sub-types which are significant in nature are managed by dedicated specialist teams within the Group. These operational risk sub-types are addressed in specific, detailed risk policies and procedures, but are included within the operational risk management framework and are reported and monitored within the operational risk appetite. These sub-types include:
  - Business disruption and operational resilience risk
  - Conduct risk
  - Data management risk
  - Financial crime risk
  - Fraud risk
  - Information security and cyber risk
  - 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 strategy

Further information

Read more on pages 62 to 63

Monitoring and mitigation activities

- The Group maintains continuity through appropriate resilience strategies that cater for disruptions, irrespective of the cause
- These strategies include, but are not limited to, relocating the impacted business to alternate processing sites, enabling staff to work from home, the application of high availability technology solutions 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 Group

Link to strategy

Further information

Read more on pages 62 to 65

Monitoring and mitigation activities

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

Operational risk – Data management risk

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

Link to strategy

Further information

Read more on pages 62 and 63

Monitoring and mitigation activities

- The Group 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

03 Risk management and governance

Investec plc Annual Financial Statements 2022

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 62, 63 and 65

Monitoring and mitigation activities

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

Operational risk – Fraud risk

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

Link to strategy

Further information

Read more on pages 62 and 63

Monitoring and mitigation activities

- The Group 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 Group
- 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

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 62 and 63

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 62 and 63

Monitoring and mitigation activities

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

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 refer to 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 62 and 63

Monitoring and mitigation activities

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

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 Group's operations, business prospects, costs, liquidity and capital requirements

Link to strategy

Further information

Read more on pages 62 to 64

Monitoring and mitigation activities

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

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 62, 63 and 65

Monitoring and mitigation activities

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

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

03 Risk management and governance

Investec plc Annual Financial Statements 2022

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 page 62 and 63

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 Group

Link to strategy

Further information

Read more on pages 62 and 63

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 Group. A number of these risks are beyond the Group's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable.

These emerging risks are briefly highlighted on page 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 of the Investec Group's 2022 integrated and strategic report

RISK MANAGEMENT APPROACH AND FRAMEWORK

Investec's philosophy and approach to risk management

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

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

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

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

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

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

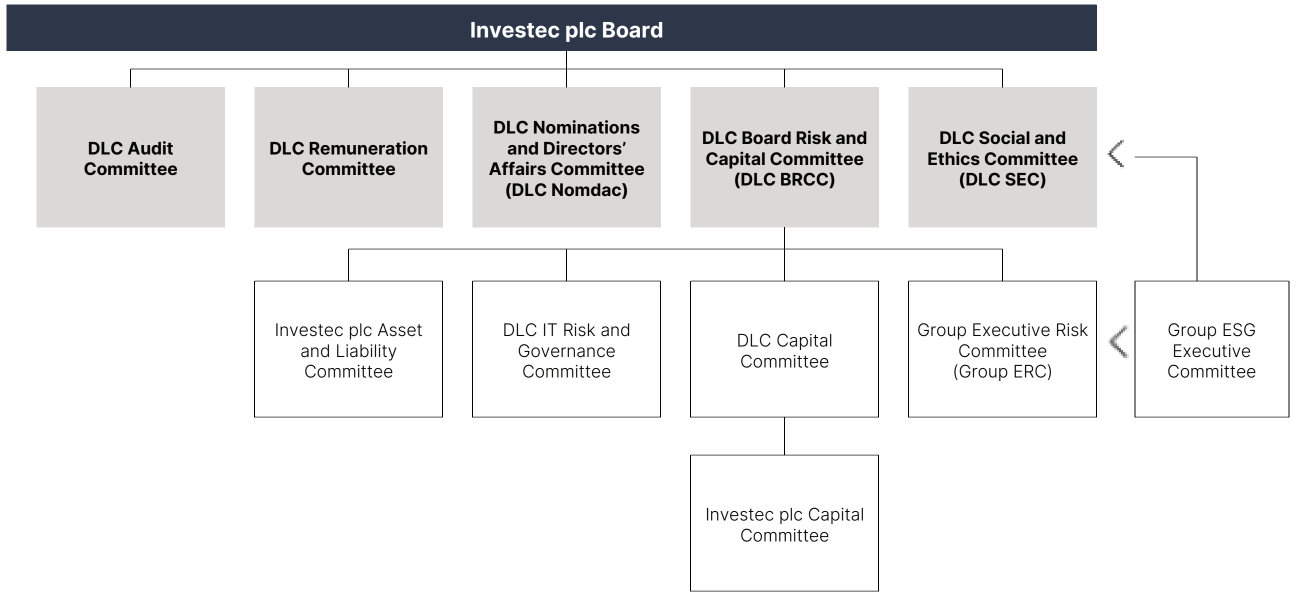
We believe that the risk management systems and processes we have in place are adequate to support the Group's strategy and allow the Group to operate within its risk appetite tolerance.

Group risk management objectives are to:

- Ensure adherence to our risk management culture
- Ensure the business operates within the Board-approved risk appetite
- Support the long-term sustainability of the Group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to risk parameters and limits across the Group 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 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 Board
- Maintain compliance in relation to regulatory requirements.

Risk management framework, committees and forums

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



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 Group's existing governance.

Credit and counterparty risk appetite

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

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

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

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

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 by Group risk management, Group lending operations as well as the originating business units.

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 Group's main operating geography. The Group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

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

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

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and where necessary, Group ERC will consider, analyse and assess the appropriate foreign jurisdiction limits.
In the UK, following the official exit from the European Union, it remains necessary to avoid exposures to certain European countries due to the resulting legal implications. This relates specifically to countries in which borrowers are legally incorporated and any deal will be thoroughly assessed on a case by case basis to ensure compliance with current regulations.

ESG (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 Group'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 47 for further detail

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

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

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

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

03 Risk management and governance

Investec plc Annual Financial Statements 2022

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

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

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

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 31 to 37
- **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 Group's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America, Southern Africa and Australia.

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

Credit risk mitigation

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the Group will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the Group is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the Group will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 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 148

The Group implements robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the Group 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 10.4% 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**	**12 501**
Gross core loans at FVPL	609	512
Gross core loans subject to ECL*	**13 948**	**11 989**
Stage 1	12 665	10 415
Stage 2	992	1 242
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)**	**(170)**
Stage 1	(32)	(27)
Stage 2	(35)	(42)
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%	3.4%
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	12 969	11 691
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 189. 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.

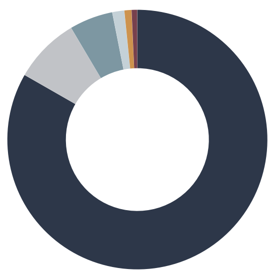
The ECL impact of changes to risk parameters and models during the year largely relates to the changes in the macro-economic scenarios. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since 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	**10 437**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 392**	**(175)**
Transfer from Stage 1	(1 019)	4	991	(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)	944	(9)	(86)	3	(162)	26	696	20
Changes to risk parameters and models	—	15	—	(6)	—	—	—	9
Foreign exchange and other	(67)	—	(27)	—	(5)	2	(99)	2
At 31 March 2021	**10 415**	**(27)**	**1 242**	**(42)**	**332**	**(101)**	**11 989**	**(170)**
Transfer from Stage 1	(433)	1	379	(1)	54	—	—	—
Transfer from Stage 2	397	(6)	(473)	8	76	(2)	—	—
Transfer from Stage 3	1	—	3	—	(4)	—	—	—
ECL remeasurement arising from transfer of stage	—	3	—	(3)	—	(9)	—	(9)
New lending net of repayments (includes assets written off)	2 253	(3)	(163)	5	(167)	45	1 923	47
Changes to risk parameters and models	—	—	—	(2)	—	—	—	(2)
Foreign exchange and other	32	—	4	—	—	—	36	—
At 31 March 2022	**12 665**	**(32)**	**992**	**(35)**	**291**	**(67)**	**13 948**	**(134)**

An analysis of gross core loans by country of exposure

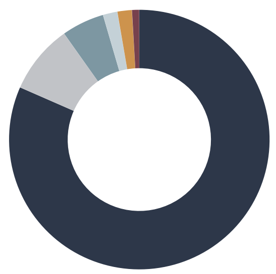
31 March 2022

£14 557 million



31 March 2021

£12 501 million



ASSET QUALITY
CONTINUED

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12-month PD at 31 March 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	**6 607**	**4 871**	**179**	**332**	**11 989**
Stage 1	6 447	3 907	61	—	10 415
Stage 2	160	964	118	—	1 242
Stage 3	—	—	—	332	332
ECL	**(4)**	**(53)**	**(12)**	**(101)**	**(170)**
Stage 1	(3)	(23)	(1)	—	(27)
Stage 2	(1)	(30)	(11)	—	(42)
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.

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

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

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap, as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as a transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is the UK, Western Europe and North America where the Group can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to a fund entity and secured against undrawn limited partner commitments and/or the 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 1.6% 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

	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										
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	206	(2)	119	(3)	—	—	325	(5)	14	339
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	**4 740**	**(25)**	**991**	**(37)**	**104**	**(44)**	**5 835**	**(106)**	**475**	**6 310**
Coverage ratio		**0.53%**		**3.7%**		**42.3%**		**1.8%**		

CREDIT AND COUNTERPARTY RISK

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

An analysis of gross credit and counterparty exposures
Gross credit and counterparty exposure totalled £27.9 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.

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	1 468	1 385
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	433	672
Derivative financial instruments	645	730
Securities arising from trading activities	26	28
Loans and advances to customers	14 557	12 501
Other loans and advances	123	93
Other securitised assets	6	6
Other assets	116	451
Total on-balance sheet exposures	**25 429**	**22 130**
Guarantees	138	145
Committed facilities related to loans and advances to customers	1 957	1 805
Contingent liabilities, letters of credit and other	326	253
Total off-balance sheet exposures	**2 421**	**2 203**
Total gross credit and counterparty exposures	**27 850**	**24 333**

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	1 468	—	1 468	—	—	1 468
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	669	778	—	—	1 447
Sovereign debt securities	1 166	34	1 132	—	—	1 166
Bank debt securities	62	—	62	—	—	62
Other debt securities	433	144	289	(5)	—	428
Derivative financial instruments	645	645	—	—	48	693
Securities arising from trading activities	26	26	—	—	137	163
Investment portfolio	—	—	—	—	694*	694
Loans and advances to customers	14 557	609	13 948	(134)	—	14 423
Other loans and advances	123	—	123	—	—	123
Other securitised assets	6	6	—	—	87^	93
Interest in associated undertakings and joint venture holdings	—	—	—	—	67	67
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	33	33
Other assets	116	—	116	—	1 023**	1 139
Property and equipment	—	—	—	—	155	155
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	7	7
Other acquired intangible assets	—	—	—	—	41	41
Total on-balance sheet exposures	**25 429**	**2 133**	**23 296**	**(139)**	**2 652**	**27 942**
Guarantees	138	—	138	—	—	138
Committed facilities related to loans and advances to customers	1 957	53	1 904	(7)	—	1 950
Contingent liabilities, letters of credit and other	326	—	326	(1)	181	506
Total off-balance sheet exposures	**2 421**	**53**	**2 368**	**(8)**	**181**	**2 594**
Total exposures	**27 850**	**2 186**	**25 664**	**(147)**	**2 833**	**30 536**

Includes £3.3 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.

* Relates to exposures that are classified as investment risk in the banking book.

^ While the Group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the Group. The net credit exposure that the Group has in the vehicles is reflected in the 'total credit and counterparty exposure'.

** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

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	1 385	—	1 385	—	—	1 385
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	672	205	467	(1)	28	699
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	714*	714
Loans and advances to customers	12 501	512	11 989	(170)	—	12 331
Other loans and advances	93	—	93	—	31	124
Other securitised assets	6	6	—	—	101^	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	59	59
Deferred taxation assets	—	—	—	—	111	111
Current taxation assets	—	—	—	—	58	58
Other assets	451	—	451	—	942**	1 393
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	8	8
Other acquired intangible assets	—	—	—	—	53	53
Total on-balance sheet exposures	**22 130**	**2 193**	**19 937**	**(171)**	**2 838**	**24 797**
Guarantees	145	—	145	—	—	145
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	253	—	253	—	213	466
Total off-balance sheet exposures	**2 203**	**83**	**2 120**	**(9)**	**213**	**2 407**
Total exposures	**24 333**	**2 276**	**22 057**	**(180)**	**3 051**	**27 204**

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

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	1 462	—	—	6	—	—	1 468
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	183	433
Derivative financial instruments	97	108	216	188	26	10	645
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	11	123
Other securitised assets	—	—	—	—	—	6	6
Other assets	116	—	—	—	—	—	116
Total on-balance sheet exposures	**9 557**	**1 406**	**1 872**	**8 232**	**2 164**	**2 198**	**25 429**
Guarantees	99	—	17	22	—	—	138
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	**291**	**107**	**278**	**1 342**	**345**	**58**	**2 421**
Total gross credit and counterparty exposures	**9 848**	**1 513**	**2 150**	**9 574**	**2 509**	**2 256**	**27 850**

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	—	—	—	—	—	—	1 468
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	—	962
Sovereign debt securities	—	—	—	—	1 166	—	—
Bank debt securities	—	—	—	—	—	—	62
Other debt securities	—	—	—	9	10	13	239
Derivative financial instruments	—	—	—	32	—	2	469
Securities arising from trading activities	—	—	—	—	3	2	16
Loans and advances to customers	5 152	2 379	14	619	233	1 333	1 661
Other loans and advances	—	—	—	—	—	—	112
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	39
Total on-balance sheet exposures	**5 152**	**2 379**	**14**	**660**	**7 277**	**1 350**	**5 028**
Guarantees	7	—	—	11	—	—	97
Committed facilities related to loans and advances to customers	131	436	—	262	66	205	596
Contingent liabilities, letters of credit and other	18	—	—	191	—	8	104
Total off-balance sheet exposures	**156**	**436**	**—**	**464**	**66**	**213**	**797**
Total gross credit and counterparty exposures	**5 308**	**2 815**	**14**	**1 124**	**7 343**	**1 563**	**5 825**
At 31 March 2021							
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 385
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	312
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	—	—	—	—	—	—	75
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	**4 065**	**2 131**	**16**	**767**	**5 038**	**1 089**	**5 511**
Guarantees	8	—	—	10	—	—	118
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**	**695**
Total gross credit and counterparty exposures	**4 238**	**2 482**	**16**	**1 191**	**5 075**	**1 249**	**6 206**

03 Risk management and governance

Investec plc Annual Financial Statements 2022

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	—	—	—	—	—	—	—	—	—	—	1 468
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	433
Derivative financial instruments	6	11	—	—	—	111	1	13	—	—	645
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	—	—	—	—	—	—	123
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**	**25 429**
Guarantees	2	—	—	—	3	—	—	18	—	—	138
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**	**2 421**
Total gross credit and counterparty exposures	**320**	**913**	**117**	**121**	**166**	**243**	**88**	**805**	**755**	**330**	**27 850**
At 31 March 2021											
Cash and balances at central banks	—	—	—	—	—	—	—	—	—	—	3 043
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	1 385
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	672
Derivative financial instruments	34	26	2	—	6	23	—	56	—	2	730
Securities arising from trading activities	—	—	—	2	—	—	—	—	—	—	28
Loans and advances to customers	233	769	94	—	95	156	98	754	555	268	12 501
Other loans and advances	—	—	—	18	—	—	—	—	—	—	93
Other securitised assets	—	—	—	6	—	—	—	—	—	—	6
Other assets	—	1	—	—	—	—	—	—	—	—	451
Total on-balance sheet exposures	**267**	**796**	**96**	**264**	**101**	**179**	**98**	**879**	**555**	**278**	**22 130**
Guarantees	2	—	—	—	1	—	—	6	—	—	145
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	1	—	—	—	6	—	—	—	—	253
Total off-balance sheet exposures	**17**	**115**	**—**	**—**	**5**	**81**	**—**	**27**	**—**	**118**	**2 203**
Total gross credit and counterparty exposures	**284**	**911**	**96**	**264**	**106**	**260**	**98**	**906**	**555**	**396**	**24 333**

ADDITIONAL POLICY INFORMATION

Additional credit and counterparty risk information

Credit risk classification and provisioning policy

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

For further detail on our credit risk classification and provision policy please refer to pages 108 and 109

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 33

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 109

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 Group's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged.

The UK Bank's most severe 100% scenario sensitivity was to the downside 2 global shock scenario, which 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 Investec plc, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

Taking into account the current macro-economic environment, adjustments have been made to the composition of the downside scenarios. 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.

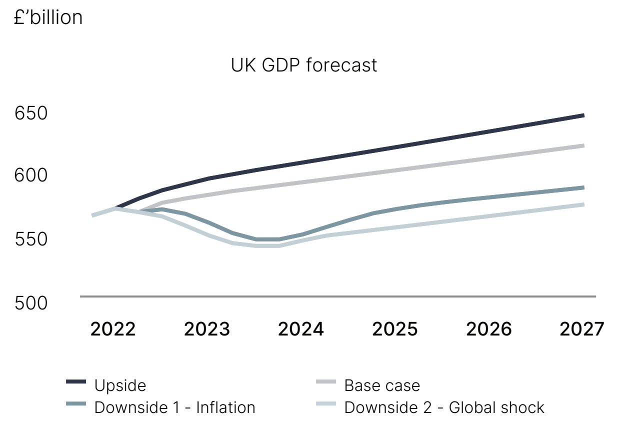
Downside 1 - inflation scenario assumes that the rise in inflation proves more sustained and protracted as wages rise to compensate for higher prices, in turn adding to costs price pressures for firms. Central banks respond by raising interest rates faster and further and also reducing asset holdings 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 synchronised 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 Investec specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity.

In the upside case, economic activity expands more briskly, as renewed business confidence coupled with an easing of COVID-19 related supply disruptions boosts business investment. In turn that triggers an acceleration in labour productivity, which sustains faster growth for longer 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			
	Upside	Base case	Downside 1 inflation	Downside 2 global shock	Upside	Base case	Downside 1 L-shape	Downside 2 fiscal crisis
Macro-economic scenarios	%	%	%	%	%	%	%	%
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 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 • 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 the Investec plc and IBP risk appetite • Reviewed and approved Investec plc and 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 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 Group's net-zero carbon ambition • Continue to strengthen the Group'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 Group'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 comprises 2.5% 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 Group.

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

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

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

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

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

Management of investment risk

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

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets is reported to IBP and DLC BRCCs.

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

Valuation and sensitivity assumptions and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 107 to 113 and pages 134 to 141 for factors and sensitivities taken into consideration in determining fair value.

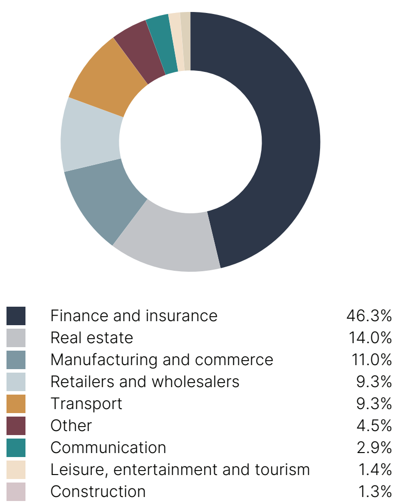
An analysis of income and revaluations of these investments can be found in the investment income note on page 119

Summary of investments

£'million Category	On-balance sheet value of investments 31 March 2022	On-balance sheet value of investments 31 March 2021
Unlisted investments	336	346
Listed equities	2	10
Ninety One	356	358
Total investment portfolio	**694**	**714**
Trading properties	4	25
Warrants and profit shares	6	5
Total	**704**	**744**

An analysis of the investment portfolio (excluding Ninety One), warrants and profit shares

31 March 2022
£344 million



SECURITISATION/STRUCTURED CREDIT

Securitisation/structured credit activities exposures

Overview

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

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 110

Risk management

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

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out above.

Credit analysis

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

Nature of exposure/activity	31 March 2022 £'million	31 March 2021 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	429	575	
<40% RWA	423	554	Other debt securities and other loans and advances
>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 to identify, measure, monitor and manage market risk.

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

Measurement of traded market risk

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

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

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

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

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

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

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.

95% one-day VaR £'000	31 March 2022 Year end	Average	High	Low	31 March 2021 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

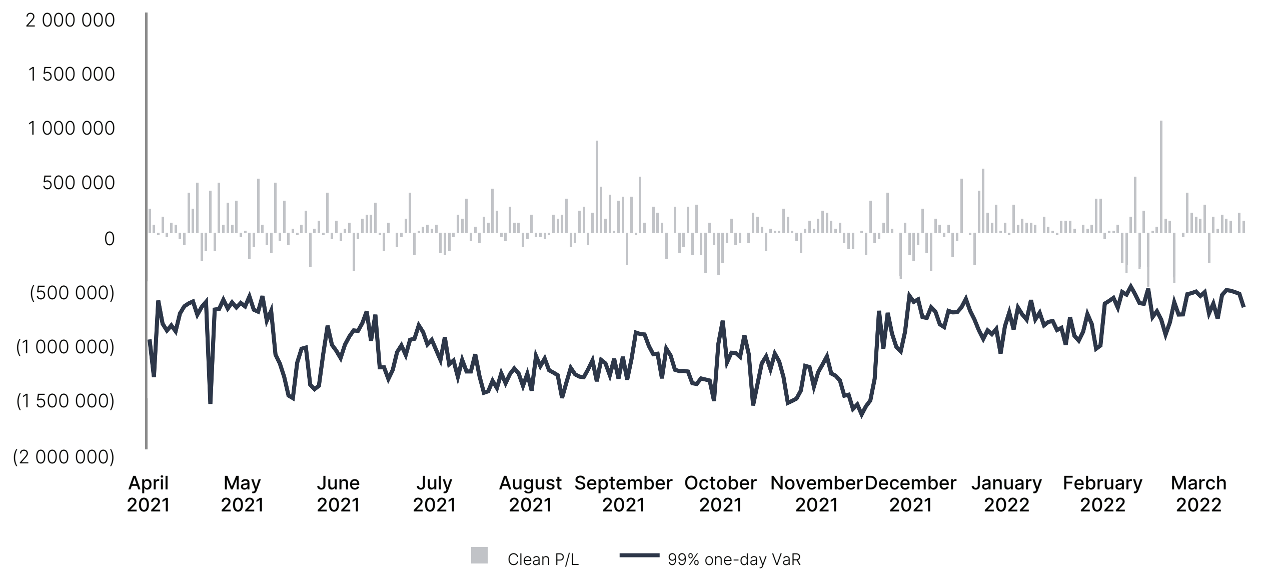
Backtesting

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**

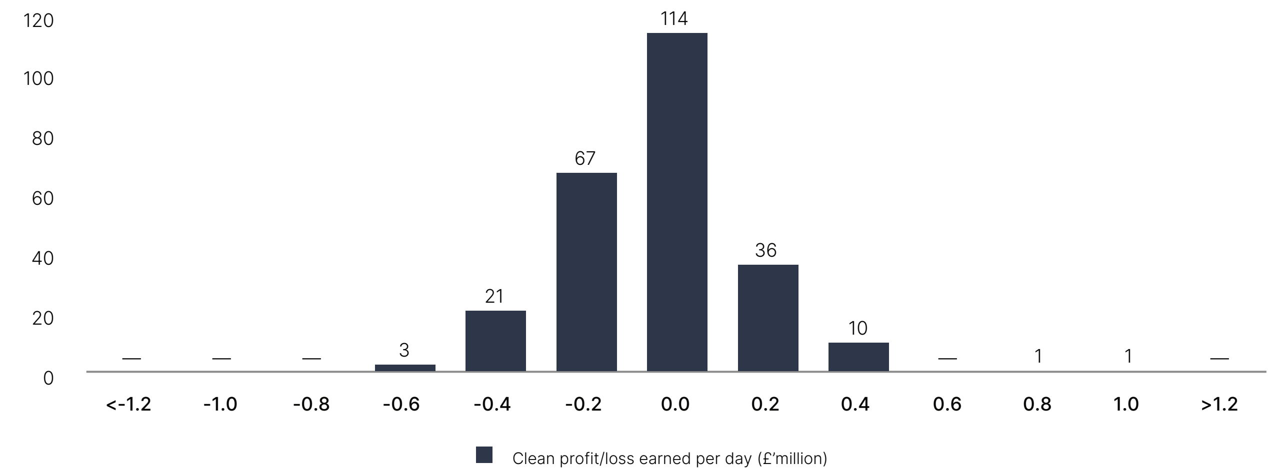
The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 148

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 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 Group's policies.

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

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

Liquidity risk
Liquidity risk is further broken down into:

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

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

- Our liquidity management processes encompass requirements set out within 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 Group maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

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

- An internal 'survival horizon' metric which models the number of days it takes before the Group's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- An array of liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the Group's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

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

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

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

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

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

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

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

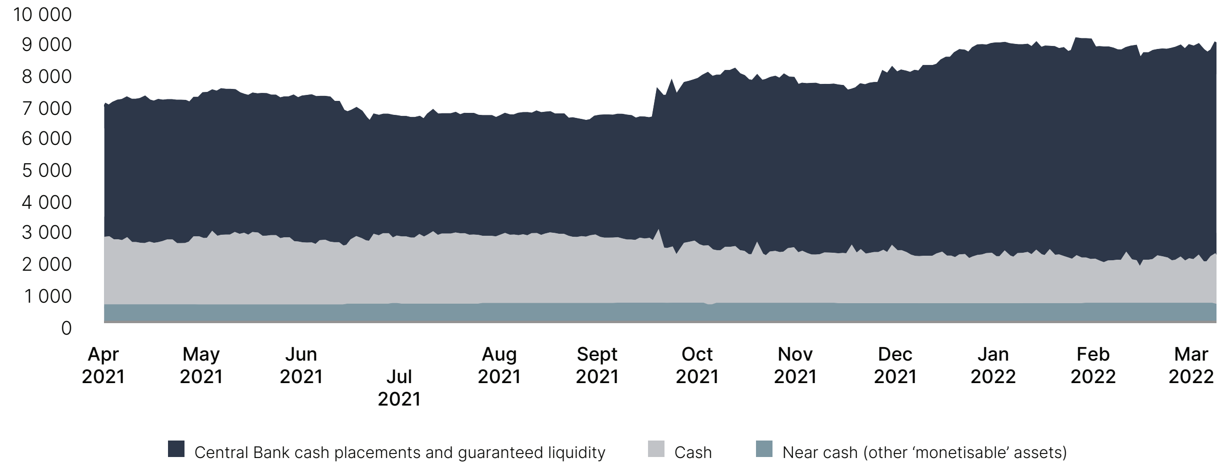
The Group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the Group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors,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

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

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

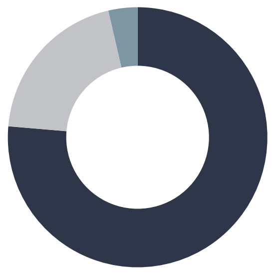
From 1 April 2020 to 31 March 2022 average cash and near cash balances over the period amounted to £7.5 billion.

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
£20 321 million

Individuals	56.9%
Other financial institutions and corporates	28.6%
Banks	10.0%
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 have been tested within our core jurisdictions via an externally facilitated liquidity crisis simulation exercise which assess the Group's sustainability and ability to adequately contain a liquidity stress.

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 66

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

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

The Group uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the Group which are eligible for the Bank of England's Single Collateral Pool to support Central Bank liquidity facilities. Encumbered assets are identified in accordance with the definitions under European Capital Requirements Regulation (CRR), and regular reporting is provided to the EBA and PRA. Further disclosures on encumbered and unencumbered assets can be found within the Investec plc Pillar III document.

On page 146 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 contractual and behavioural liquidity mismatch.

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

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

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

Contractual liquidity at 31 March 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	6 764	52	26	—	—	6	—	6 848
Investment/trading assets	550	707	352	314	522	694	1 581	4 720
Securitised assets	—	2	—	—	1	26	64	93
Advances	8	691	527	1 093	1 445	7 569	3 216	14 549
Other assets	102	774	56	44	17	389	354	1 736
Assets	**7 424**	**2 226**	**961**	**1 451**	**1 985**	**8 684**	**5 215**	**27 946**
Deposits – banks	(278)	(92)	—	—	—	(1 657)	—	(2 027)
Deposits – non-banks	(7 886)	(637)	(3 368)	(2 951)	(2 078)	(1 286)	(88)	(18 294)
Negotiable paper	(1)	(5)	(205)	(31)	(41)	(1 023)	(342)	(1 648)
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	(102)	(781)	(51)	(69)	(28)	(297)	(53)	(1 381)
Liabilities	**(8 382)**	**(1 684)**	**(3 720)**	**(3 121)**	**(2 407)**	**(4 633)**	**(1 319)**	**(25 266)**
Total equity	—	—	—	—	—	—	(2 680)	(2 680)
Contractual liquidity gap	**(958)**	**542**	**(2 759)**	**(1 670)**	**(422)**	**4 051**	**1 216**	**—**
Cumulative liquidity gap	(958)	(416)	(3 175)	(4 845)	(5 267)	(1 216)	—	

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	**5 679**	**165**	**(2 524)**	**(1 305)**	**(594)**	**(2 590)**	**1 169**	**—**
Cumulative	5 679	5 844	3 320	2 015	1 421	(1 169)	—	

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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

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

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 Group considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of 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 Group's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

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

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- 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 Group 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 Group 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	6 813	—	—	—	—	—	6 813
Investment/trading assets	2 537	169	152	162	32	333	3 385
Securitised assets	93	—	—	—	—	—	93
Advances	9 581	651	656	3 304	357	—	14 549
Other assets	—	—	—	—	—	1 370	1 370
Assets	**19 024**	**820**	**808**	**3 466**	**389**	**1 703**	**26 210**
Deposits – banks	(1 984)	(10)	(4)	(27)	—	—	(2 025)
Deposits – non-banks	(15 106)	(1 107)	(1 743)	(280)	—	—	(18 236)
Negotiable paper	(294)	—	—	(857)	(350)	—	(1 501)
Securitised liabilities	(96)	—					(96)
Investment/trading liabilities	(129)	—	—	—	—	—	(129)
Subordinated liabilities	—	—	—	(759)	—	—	(759)
Other liabilities	—	—	—	—	—	(874)	(874)
Liabilities	**(17 609)**	**(1 117)**	**(1 747)**	**(1 923)**	**(350)**	**(874)**	**(23 620)**
Total equity	—	—	—	—	—	(2 590)	(2 590)
Balance sheet	**1 415**	**(297)**	**(939)**	**1 543**	**39**	**(1 761)**	**—**
Off-balance sheet	1 008	(7)	221	(1 244)	22	—	—
Repricing gap	**2 423**	**(304)**	**(718)**	**299**	**61**	**(1 761)**	**—**
Cumulative repricing gap	2 423	2 119	1 401	1 700	1 761	—	

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

Interest rate risk - IBOR reform

During the financial year, the Group 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 Group has limited remaining risk with respect to ongoing IBOR reform.

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

IBOR reform exposes the Group 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 Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instrument

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 Investec plc and IBP (solo basis) LCRs are 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 457% for Investec plc and 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 145% for Investec plc and 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 Group maintained its strong liquidity position and continues to hold high levels of surplus liquid assets. Our liquidity risk management process remains robust and comprehensive.

Funding continues to be dynamically raised through a mix of customer liabilities diversified by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of depositors. Those diversified funding channels have proven to be capable of raising funding throughout the year supporting both strong asset growth and 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 Group to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management.

Cash and near cash balances at 31 March 2022 amounted to £8.9 billion (31 March 2021: £6.9 billion). Total customer deposits were £18.3 billion at 31 March 2022 (31 March 2021: £16.1 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 7 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 Group manages operational risk through an operational risk management framework that is embedded across all levels of the organisation and is supported by a strong risk management culture. The key purpose of the operational risk management framework is to define the policies and practices that provide the foundation for a structured and integrated approach to identify, assess, mitigate/manage, monitor and report on operational risks.

The key operational risk practices are as follows:

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

Operational risk governance framework

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

Roles and responsibilities

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

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

Committees

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

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

- Operational risk:

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

- Technology 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 Group is willing to accept.

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

Operational risk year in review
Key operational risk themes

During the year the Group remained focused on the management of the following key operational 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 Group'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 Group
- There has been a sustained focus by regulators on resilience in the financial services sector and emphasis placed on working towards ensuring a financial system that is fair, efficient and resilient.

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

Operational risk events

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

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE

Reputational and strategic risk

The Group 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 Group 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 Group'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 Board, and from regular, clear communication with shareholders, customers and all stakeholders. In line with regulatory requirements, the 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 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 Group. 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 165

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 Group 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.

Conduct risk and consumer protection

The Financial Conduct Authority (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.

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE CONTINUED

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 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 Group 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 Board, along with senior management, are ultimately responsible for Investec's culture and conduct risk frameworks. Investec has continued over the period to focus on enhancements to our conduct risk management framework to ensure consistent delivery of good customer 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 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 Group 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.

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

freezes on certain type of lending facilities, and a temporary ban on repossessions to support customers through the pandemic.

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

The recovery plan:

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

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

Investec plc is an approved UK Financial Holding Company (FHC). In line with Capital Requirements Directive (CRD) V requirements and Capital Requirements Regulation (CRR) II amendments requiring FHC and Mixed FHC of PRA-regulated subsidiaries to become approved holding companies, Investec plc applied in June 2021 for approval in accordance with Part 12B of the Financial Services and Markets Act 2000. The approval was granted with effect from 14 October 2021. Investec plc is now responsible for ensuring compliance with consolidated prudential requirements on a consolidated basis. Investec Bank plc, the main banking subsidiary of the Investec plc Group continues to be authorised by the PRA and regulated by the FCA and the PRA.

Investec plc calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the 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

	Investec plc °*	**IBP °***	Investec plc °*	IBP °*
	31 March 2022		31 March 2021	
Common Equity Tier 1 ratio**	11.4%	12.0%	11.0%	11.8%
Common Equity Tier 1 ratio (fully loaded)***	11.0%	11.6%	10.5%	11.3%
Tier 1 ratio**	12.8%	13.6%	12.7%	13.4%
Total capital ratio**	16.5%	18.2%	14.9%	16.4%
Risk-weighted assets (£'million)**	16 980	16 462	16 332	15 789
Leverage exposure measure (£'million)^	24 181	23 874	26 672	26 351
Leverage ratio^	9.0%	9.3%	7.8%	8.0%
Leverage ratio (fully loaded)^ ***	8.7%	9.1%	7.4%	7.7%

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures differ from the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) higher, respectively on this basis.

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

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

^ The leverage ratios are calculated on an end-quarter basis. 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.

Investec plc applies the Standardised Approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. Effective 1 January 2022, Investec plc 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. Investec plc 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 Investec plc may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

Year under review

During the year under review, Investec plc complied with the capital adequacy requirements imposed on it by the PRA. Investec plc continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2022, the CET1 ratio increased to 11.4% from 11.0% at 31 March 2021. CET1 capital increased by £135 million to £1.9 billion, mainly as a result of:

- CET1 capital generation of £236 million through profit after taxation
- An increase in other comprehensive income of £37 million (including the fair value uplift on our investment in Ninety One)
- A decrease of £15 million in the deduction applied to financial sector entities which exceed the 10% threshold due to the sale of 1.13% of our Ninety One shareholding in March 2022.

The increases were partially offset by:

- Dividends paid to ordinary shareholders and Additional Tier security holders of £81 million
- An increase in treasury shares of £23 million
- An increase in foreseeable charges and dividends of £19 million
- A decrease of £12 million in our own credit reserves
- A decrease of £16 million in the IFRS 9 transitional add-back adjustment.

Risk weighted assets (RWAs) increased by 4% or £648 million to £17 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by a net £850 million after the settlement of our Australian loan portfolio sale in April 2021, which reduced RWAs by £590 million. The

CAPITAL ADEQUACY
CONTINUED

remaining increase is mainly driven by growth in private client and Asset Finance Group lending, predominantly within HNW mortgages, other HNW lending and automobile loans.

On 1 January 2022, Investec plc 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 £92 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 £60 million, due to an increase in the three-year average operating income used to determine the capital requirement.

The Group's leverage ratio increased to 9.0% from 7.8.% 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.

Minimum capital requirement
Investec plc's minimum CET1 requirement at 31 March 2022 is 7.5% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% CCB, a 0.45% Pillar 2A requirement and a 0.03% CCyB. The Group's institution-specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. On 11 March 2020, the Financial Policy Committee (FPC) announced that with immediate effect the UK CCyB rate be reduced to 0% in response to the economic shock arising from COVID-19. As at 31 March 2022 the UK CCyB rate has remained at 0%.

In response to the economic shock from COVID-19, the PRA announced in May 2020 that firms subject to a Supervisory Review and Evaluation Process (SREP) in 2020 and 2021 would have their Pillar 2A capital requirements set as a nominal amount, instead of a percentage of risk-weighted assets (RWAs). Firms not subject to a SREP in 2020 may apply for a conversion of their current Pillar 2A requirement into a nominal amount using RWAs as of end-December 2019. This change would apply until the next regulatory-scheduled SREP.

The PRA announced on 8 December 2021 that this regulatory measure is no longer necessary and therefore in 2022 all firms will be set Pillar 2A as a variable amount (with the exception of some fixed add-ons, such as pension risk).

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 31 March 2022 Pillar 3 disclosures for the Investec plc Group are published in a standalone disclosure report and can be found on the Investec Group's website.

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

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. 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 CET 1 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 DLC 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 SREP review. The ICAAP documents the approach to capital management, including the assessment of the regulatory and internal capital position of the Group. The ICAAP is reviewed and approved by DLC BRCC and the Investec plc board.

CAPITAL ADEQUACY
CONTINUED

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

Capital planning and stress/scenario testing
A capital plan is prepared for Investec plc and is maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the Investec plc 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 Investec plc duress. The conditions are agreed by the Investec plc Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite. At a minimum level, each capital plan assesses the impact on our capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the PLC Capital Committee, DLC Capital Committee and DLC BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the Investec plc board, for considering the appropriate response.

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

Capital structure and capital adequacy

£'million	Investec plc °*	IBP °*	Investec plc °*	IBP °*
	31 March 2022		31 March 2021	
Shareholders' Equity	**2 340**	**2 215**	**2 198**	**2 081**
Shareholders' equity excluding non-controlling interests	2 429	2 296	2 256	2 114
Foreseeable charges and dividends	(44)	(61)	(25)	(25)
Perpetual preference share capital and share premium	(25)	—	(25)	—
Deconsolidation of special purpose entities	(20)	(20)	(8)	(8)
Non-controlling interests	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	1	1	—	—
Non-controlling interests excluded for regulatory purposes	(1)	(1)	—	—
Regulatory adjustments to the accounting basis	**71**	**71**	**98**	**99**
Additional value adjustments	(6)	(6)	(7)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	—	—	12	12
Adjustment under IFRS 9 transitional arrangements	77	77	93	93
Deductions	**(480)**	**(304)**	**(500)**	**(312)**
Goodwill and intangible assets net of deferred taxation	(303)	(291)	(307)	(298)
Investment in capital of financial entities above 10% threshold	(164)		(179)	—
Deferred taxation assets that rely on future profitability excluding those arising from temporary difference	(8)	(8)	(12)	(12)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(5)	(5)	(2)	(2)
Common Equity Tier 1 capital**	**1 931**	**1 982**	**1796**	**1 868**
Additional Tier 1 instruments	250	250	274	250
Tier 1 capital **	**2 181**	**2 232**	**2 070**	**2 118**
Tier 2 capital**	**628**	**766**	**370**	**473**
Tier 2 instruments	766	766	473	473
Non-qualifying surplus capital attributable to non-controlling interests	(138)	—	(103)	—
Total regulatory capital**	**2 809**	**2 998**	**2 440**	**2 591**
Risk-weighted assets**	**16 980**	**16 462**	**16 332**	**15 789**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.
* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 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. Investec plc and IBP's CET1 ratios would be 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) higher, respectively on this basis.
** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

CAPITAL ADEQUACY
CONTINUED

Risk-weighted assets and capital requirements

	Investec plc °	IBP °	Investec plc °*	IBP °*
£'million	31 March 2022		31 March 2021	
Risk-weighted assets	**16 980**	**16 462**	**16 332**	**15 789**
Credit risk	13 366	13 332	12 497	12 413
Equity risk	562	57	581	117
Counterparty credit risk	555	591	691	691
Credit valuation adjustment risk	103	103	59	59
Market risk	608	608	778	778
Operational risk	1 786	1 771	1 726	1 731
Capital requirements	**1 358**	**1 317**	**1 307**	**1 263**
Credit risk	1 069	1 066	1 000	992
Equity risk	45	5	46	10
Counterparty credit risk	44	47	55	55
Credit valuation adjustment risk	8	8	5	5
Market risk	49	49	63	63
Operational risk	143	142	138	138

Leverage

	Investec plc °	IBP °	Investec plc °*	IBP °*
£'million	31 March 2022		31 March 2021	
Total exposure measure^	24 181	23 874	26 672	26 351
Tier 1 capital* **	2 181	2 232	2 070	2 118
Leverage ratio ^	**9.0%**	**9.3%**	**7.8%**	**8.0%**
Total exposure measure (fully loaded)	24 104	23 797	26 579	26 258
Tier 1 capital (fully loaded)***	2 104	2 155	1 956	2 029
Leverage ratio (fully loaded)* ^**	**8.7%**	**9.1%**	**7.4%**	**7.7%**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.
* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) higher, respectively on this basis.
** The CET1, Tier 1, total capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).
*** The CET1 and Tier 1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).
^ The leverage ratios are calculated on an end-quarter basis. 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.

CAPITAL ADEQUACY
CONTINUED

Total regulatory capital flow statement

	Investec plc °	IBP °	Investec plc °*	IBP °*
£'million	31 March 2022		31 March 2021	
Opening Common Equity Tier 1 capital	1 796	1 868	1 745	1 819
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(81)	(73)	(35)	(28)
Profit after taxation	236	233	70	64
Foreseeable charges and dividends	(19)	(36)	(25)	(25)
Treasury shares	(23)	—	(8)	—
Distribution to shareholders	3	—	—	—
Share-based payment adjustments	—	4	(1)	—
Movement in other comprehensive income	37	15	95	(3)
Investment in capital of financial entities above 10% threshold	15	—	(87)	—
Goodwill and intangible assets (deduction net of related taxation liability)	4	7	19	17
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	4	4	6	6
Deconsolidation of special purpose entities	(12)	(12)	13	9
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(12)	(12)	1	—
IFRS 9 transitional arrangements	(16)	(16)	6	6
Other, including regulatory adjustments and other transitional arrangements	(1)	—	(3)	3
Closing Common Equity Tier 1 capital	**1 931**	**1 982**	**1 796**	**1 868**
Opening Additional Tier 1 capital	274	250	274	250
Grandfathered Additional Tier 1 capital instrument	(24)	—	—	—
Closing Additional Tier 1 capital	250	250	274	250
Closing Tier 1 capital	**2 181**	**2 232**	**2 070**	**2 118**
Opening Tier 2 capital	370	472	414	533
Issued capital	348	348		
Other, including regulatory adjustments and other transitional arrangements	(90)	(54)	(44)	(60)
Closing Tier 2 capital	**628**	**766**	**370**	**473**
Closing total regulatory capital	**2 809**	**2 998**	**2 440**	**2 591**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

IN THIS SECTION

Corporate Governance

INVESTEC PLC AUDIT COMMITTEE REPORT

Zarina Bassa
Chair of the Investec plc
Audit Committee

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

1. Philip Hourquebie stepped down as member of the Committee on 5 August 2021.
2. Four DLC Audit Committee meetings and three combined Investec Limited and Investec plc Audit Committee meetings were held during the year. Two audit quality meetings were held in April 2022, in respect of Ernst & Young and internal audit. Formal meetings were held to consider, discuss and conclude on internal and external audit quality.

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

This report has been compiled in accordance with the requirements of the UK Companies Act (UK Companies Act), the UK Corporate Governance Code 2018 (the Code), the UK Listing Rules and any other applicable regulatory requirements.

Role of the Committee
We provide independent challenge and oversight across the Group's financial reporting and internal control procedures. The Board has delegated the following key functions to the Committee:

- Overseeing the Group's financial reporting process, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Reviewing the Group's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of the Group's internal audit functions
- Reviewing of the annual work plan, capacity, scope and staffing of internal audit
- Overseeing Group compliance functions which are lead by Investec Bank plc and Investec Wealth & Investments BRCC's
- Overseeing the Group's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with the Group's external auditors, including scope, fees, quality control, effectiveness and independence of the External Audit function
- Managing the policy, fees and the nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside Investec regarding the application of accounting principles and external reporting.

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

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

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

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

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

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

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

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

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

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

The Investec plc Board and the Investec Limited Board have mandated authority to their respective Audit Committees to be the Audit Committees for the respective companies and their subsidiaries.

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

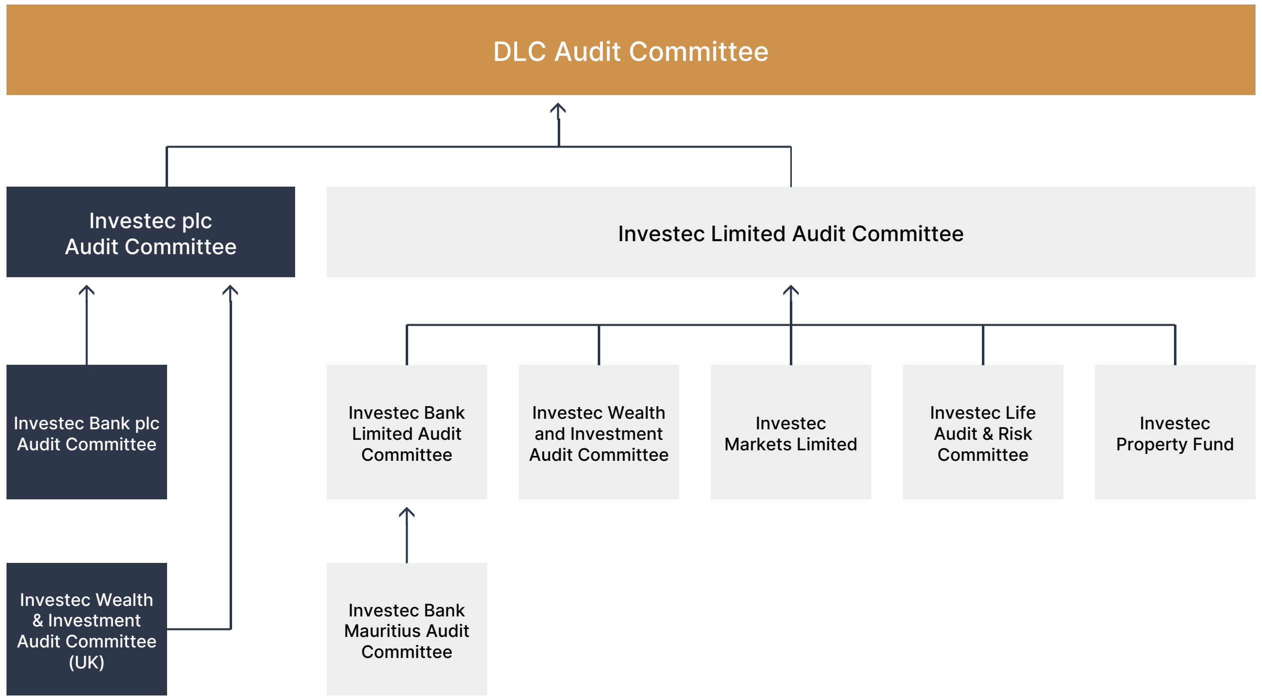
The Investec plc Audit Committee Chair is also the Chair of the following Audit Committees:

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

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

- Investec Bank plc
- Investec Life
- Investec Wealth and Investment UK
- Investec Wealth and Investment South Africa.

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



INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the Investec plc Audit Committee

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

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

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

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

Key audit matters	What we did
Impact of COVID-19 and the indirect impact of the Russian invasion of Ukraine • COVID-19 impacted the global economy and businesses across all industries.	• Considered the known accounting and operational impact of COVID-19 and the Russian invasion of Ukraine on the economy and business, mitigating actions by management together with the resulting impact on the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements. • The areas most impacted by COVID-19 include: – Going concern and the Viability Statement, including liquidity – Expected Credit Losses (ECL) assessment (International Financial Reporting Standards (IFRS) 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality and retail) – Quality of earnings – Impact of work from home on the overall control environment and operational risk and resilience – The financial control environment.
Expected Credit Losses (ECL) assessment • The appropriateness of the allowance for ECL is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impacts have resulted in additional key judgements and assumptions being made during the current year.	• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group • Evaluated the impact of ECL on the interim results and annual results • Reviewed and monitored the Group's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, Significant Increase in Credit Risk (SICR), and volatility • Assessed the appropriateness of the ECL model overlays raised for emerging risks for which there was not sufficient data available to model the existing credit risk. Specific consideration was given to the methodology and assumptions applied to calculate the overlay. We further evaluated the appropriateness of the releases of the ECL model overlays • Assessed ECL experienced against forecasts and considered whether the level of ECL was appropriate • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • Assessed the appropriateness of the ECL provision raised by the Group for large exposures in entities publicly perceived to be in financial distress • Reviewed the appropriateness of the ECL models and the forward-looking macro-economic scenarios applied in the UK • Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant UK peers • Considered the impact of restrictions and levels of lockdown on impacted sectors and the consequent impact on ECL and overlays.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure • For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental.	• Received presentations on the material investments across the Group, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 31 March 2022 • 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. Particular focus was given to the impact of COVID-19 on these valuation principles – Fair value of instruments with higher characteristics and associated income – The appropriateness of the IFRS 13 disclosures regarding fair value.
Uncertain tax and other legal matters • Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, 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 International Accounting Standards (IAS) 37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements • 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 49 Contingent Liabilities and legal matters for further information.
Investments in associates • Evaluated the appropriateness of the carrying amount of investments in associates • Evaluated the appropriateness of the valuation and the accounting treatment of the investment in Ninety One at an Investec plc level.	• Reviewed the technical accounting memorandum prepared by Group Finance regarding the accounting treatment of material investments of the Group. The memorandum addressed the carrying value of the investments and management's impairment assessment. This included an analysis of the key judgements and assumptions applied • Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied • Evaluated the appropriateness of the valuation and the accounting treatment of the investment in Ninety One at an Investec plc level.
Going concern and the Viability Statement	• Considered reports on the Group's budgets, forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings, if any on both going concern and the three-year Viability Statement • Considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of Investec plc to continue as a going concern • Recommended the approval of the going concern and the Group Viability Statement assumption underlying the annual financial statements to the DLC Board for approval • Noted the Investec Bank plc Viability Statement as recommended for approval by the IBP Audit Committee to the IBP Board.
Cyber, IT Security, IT systems and controls impacting financial reporting	• Received and reviewed reports in respect of IT security, cyber security, IT systems and controls impacting financial reporting • Received regular reports from internal audit on the effectiveness of IT controls tested as part of the internal audit process • Considered broader IT and Governance matters, including security, IT strategy and operations through the Audit Committee Chair's attendance of the DLC IT Risk and Governance Committee.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
External Audit, audit quality and audit firm rotation	• Managed the relationship with the external auditors, Ernst & Young LLP., including their re-appointment • Monitored the rotation in lead Ernst & Young audit partners at an Investec Bank plc • Approved the External Audit plan, audit fee and the main areas of focus • Considered the external auditors report on the progress of the review engagement being performed on the interim results. Reviewed the results announcements for both interim and final results • Met with key members of Ernst & Young LLP prior to every Audit Committee meeting to discuss the 2021/22 audit plan, key areas of focus, findings, scope and conclusions • Pre-approved all non-audit services provided by External Audit and confirmed the services to be within the approved non-audit services policy • Met separately with the leadership of Ernst & Young LLP to discuss independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners • Discussed external audit feedback on the Group's critical accounting estimates and judgements • Assessed the independence and objectivity of the external auditors • Noted the unqualified independent auditor's report in relation to the Group • Received updates from the External Auditors on the audit of the Annual Financial Statements (AFS) of the Group including the Summary of Audit Differences for the year ended 31 March 2022 • Recommended to the Board the re-appointment of Ernst & Young LLP as the external auditors of Investec plc, Investec Wealth & Investment (UK) and Investec Bank plc for the year ending 31 March 2023.

Other matters considered by the Committee

The Committee also considered the following matters during the year:

Key audit matters	What we did
Regulatory compliance and reporting	• Through the Investec Limited Audit Committee, supplemented by the Investec Bank plc and Investec Wealth & Investment Audit Committees, received regular reports from the Group Regulatory Compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external Auditors or regulators.
Post balance sheet disclosure	• Considered any post balance sheet disclosures that may require the AFS to be adjusted or require additional disclosure including in respect of the distribution of Ninety One shares and external developments and correspondence on accounting and disclosures of dividend arbitrage transactions • Reviewed and approved the publication of a no-change statement.
Environmental, Social and Governance (ESG)	• Reviewed ESG reporting and disclosures • Considered the level of external assurance obtained on ESG reporting and disclosures • Considered the Task Force for Climate Related Disclosures (TFCD) reporting requirements.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Internal controls • The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans.	• Attended regular meetings of the DLC BRCC. Based on reports presented at the DLC BRCC, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • Evaluated and tracked the status of the most material control issues identified by Internal and External Audit and tracked the progress of the associated remediation plans against agreed time frames • Reviewed reports from the independent audit committees of the Group's subsidiaries • Evaluated the impact of work from home on the overall control environment and operational risk • Evaluated reports on the internal control environment from the internal and external auditors with specific emphasis on culture and conduct elements in the internal audit reports. Noted internal audit report and conclusions on internal controls, internal financial controls and the risk management framework for the year end review • Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the Group's IT controls. Considered updates on key internal and External Audit findings with respect to the IT control environment • Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage • Evaluated reports on cyber security within the Group.
Fair, balanced and understandable reporting • The Group is required by the UK Corporate Governance Code to assess and confirm that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy	• Undertook an assessment on behalf of the Board, to provide the Board with assurance that it can make the statement • Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements and the quality of earnings assessment • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences • Considered feedback from Group Finance in respect of a project launched to amend the annual integrated report in order to improve disclosures, improve financial control and reporting processes • Concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2022 were appropriate in ensuring that those statements were fair, balanced and understandable • Reviewed feedback received from analysts in respect of the annual report as provided by Investor Relations and incorporated the feedback into the annual report • Reviewed the outcomes of the combined assurance coverage model as discussed below • Reviewed the process put in place to provide assurance on the Chief Executive and Chief Financial Officer attestation.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Combined assurance matrix	• Confirmed our satisfaction with the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of Risk Management, Operational Risk, Legal, Regulatory Compliance, Internal Audit, External Audit and other assurance providers • Confirmed our satisfaction with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks • Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes • Reviewed the year-end conclusions from Internal Audit on internal controls, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year.
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans.	• Received regular reports from the subsidiary audit committees • Attended the audit committees of all significant subsidiaries • Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management and scrutinised action plans following Internal Audit findings • Reviewed the process for reporting to the Investec plc Audit Committee by key subsidiaries and associates and considered regular reports from such entities.
Finance function	• Considered a report from Group Finance on the interim results for the period ended 30 September 2021 and final results for the 31 March 2022 year end • In a closed session, discussed and concluded that the finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries were adequately skilled, resourced and experienced to perform the financial reporting for the Group and that appropriate succession was in place for key roles • Concluded that the Group FD, Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position.
IFRS	• Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatment and significant accounting judgements • The Audit Committee chair discussed the key judgements and complex accounting treatments with both external audit and management in the weekly meetings leading up to the year-end sign off • Concluded on the reasonableness of the significant accounting judgements.
Related party disclosures	• Considered and reviewed related party disclosures for the Group • DLC Nomdac reviewed key related party transactions during the year and ensured Investec related party policies are being complied with. This was supported by a governance audit carried out by internal audit.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

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

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

External Audit

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

Total audit fees paid for the year ended 31 March 2022 amounted to £7 million (2021: £6.5 million), of which £0.3 million (2021: £0.3 million) related to the provision of non-audit services. The non-audit services related to services required to be provided by the external auditor, for example, regulatory audits. Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment.

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

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

The closed meeting in respect of audit quality took place between the Committee and Ernst & Young LLP for the current year.

The following matters were covered during these discussions:

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

Auditor independence and objectivity
- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Group audit meet the independence criteria
- The key audit partners are required to rotate every five years. The tenure of each of the partners was reviewed and concluded to be aligned with this policy
- Manprit Dosangh was appointed as lead engagement partner for Ernst & Young LLP and the Group on 1 April 2019

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

- Chris Brouard from Ernst & Young LLP replaced Ken Eglinton as audit partner of Investec Bank plc.

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

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

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

Audit firm rotation
The Company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the end of March 2024 at the latest. A competitive tender process will commence during 2022 with the incoming audit firm to perform the first audit for the financial year starting 1 April 2024.

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

- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of aBank or financial services group which is of systemic importance
- The level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a financial services group and the consequent audit risks
- The independence of the external auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

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

The Board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2022 for the financial year ending 31 March 2023.

Looking ahead
The role of the Committee will remain focused on:

- Ensuring the effective functioning of the Group's financial systems and processes, financial control environment, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements
- The appointment of an external audit firm in the UK as part of the audit rotation cycle
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business together with ESG accounting disclosures and assurance processes
- Monitoring the impact of COVID-19 and the Russian invasion of Ukraine on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position of the Group
- Continuing to exercise oversight over subsidiary audit committees, including in remote locations
- Consider the implications of BEIS and other regulatory reforms on the audit profession and the audit.

Zarina Bassa
Chair, Investec plc Audit Committee
22 June 2022

DIRECTORS' REPORT

The directors' report for the year ended 31 March 2022 comprises pages 83 to 91 of this report, together with the sections of the annual report incorporated by reference.

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

As permitted by Section 414C(11) of the UK Companies Act, some of the matters required to be included in the directors' report have instead been included in the strategic report on pages 1 to 105 of the Investec Group's 2022 integrated and strategic report, as the Board considers them to be of strategic importance. Specifically, these are:

- Future business developments (throughout the strategic report)
- Risk management on page 26
- Information on how the directors have had regard to the Group's stakeholders, and the effect of that regard, on pages 28 to 35 of the Investec Group's 2022 integrated and strategic report.

The strategic report (as contained in the Investec Group's 2022 integrated and strategic report) and the directors' report together form the management report for the purposes of Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

For information on the corporate governance of the Investec Group, refer to the corporate governance sections of the Investec Group's 2022 integrated and strategic report and the Investec Group's 2022 risk and governance report.

Information relating to the use of financial instruments by the Company can be found on pages 108 to 110 and is incorporated by reference.

Additional information for shareholders of Investec plc is detailed in schedule A to the directors' report on pages 90 and 91.

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

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

Directors

The membership of the Board and biographical details of the directors are provided on pages 119 to 121 of the Investec Group's 2022 integrated and strategic report

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

	Role	Effective date of departure/ appointment
Departures		
Charles Jacobs	Non-Executive Director	30 June 2021
Lord Malloch-Brown	Non-Executive Director	5 August 2021
Perry Crosthwaite	Chair	5 August 2021
Appointments		
Nicky Newton-King	Non-Executive Director	21 May 2021
Jasandra Nyker	Non-Executive Director	21 May 2021
Brian Stevenson	Non-Executive Director	22 June 2021
Vanessa Olver	Non-Executive Director	18 May 2022

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

Company secretary

The Company Secretary of Investec plc is David Miller.

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

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

Induction, training and development

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

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

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

Directors and their interests

Details of the directors' shareholdings and options to acquire shares are detailed in the Investec Group's 2022 remuneration report

Directors' conflicts of interest

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

Directors' and officers' liability insurance

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

DIRECTORS' REPORT
CONTINUED

Change of control

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

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

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

Powers of directors

The Board manages the business of the Group under the powers set out in the Articles of Association of Investec plc, which include the ability of directors to issue or buy back shares. Directors were granted authority to issue and allot shares and to buy back shares at the 2021 AGM. Shareholders will be asked to renew this authority at the 2022 AGM.

Contracts

Details of contracts with directors can be found on pages 18 and 19 of the Investec Group's 2022 remuneration report.

Authorised and issued share capital

Details of the share capital are set out on pages 158 and 159 in note 40 to the annual financial statements.

Investec plc did not issue any ordinary shares during the financial year ended 31 March 2022.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2022.

At 31 March 2022, Investec plc held 48 997 877 shares in treasury 2021: 41 576 257). The maximum number of shares held in treasury by Investec plc during the period under review was 49 677 266 shares.

Ordinary dividends

An interim dividend of 11.0p per ordinary share (2020: 5.5p) was paid on 22 December 2021, as follows:

- 11.0p per ordinary share to non-South African resident shareholders registered on 10 December 2021
- To South African resident shareholders registered on 10 December 2021, through a dividend paid by Investec plc of 1.0p and through Investec Limited on the SA DAS share, equivalent to 10.0p per ordinary share.

The directors have proposed a final dividend to shareholders registered on 22 July 2022, of 14.0p (2021: 7.5p) per ordinary share, subject to the approval of the members of Investec plc at the AGM which is scheduled to take place on 4 August 2022. If approved, this will be paid on 08 August 2022, as follows:

- 14.0p per ordinary share to non-South African resident shareholders registered on 22 July 2022
- To South African resident shareholders registered on 22 July 2022, through a dividend paid by Investec Limited on the SA DAS share, equivalent 14.0p per ordinary share.

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares
Preference dividend number 31 for the period 1 April 2021 to 30 September 2021, amounting to 5.51508p per share, was declared to members holding preference shares registered on 03 December 2021 and was paid on 13 December 2021.

Preference dividend number 32 for the period 1 October 2021 to 31 March 2022, amounting to 6.41369p per share, was declared to members holding preference shares registered on 10 June 2022 and was paid on 20 June 2022.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares
Preference dividend number 21 for the period 1 April 2021 to 30 September 2021, amounting to 333.41097 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 10 December 2021 and was paid on 13 December 2021.

Preference dividend number 22 for the period 1 October 2021 to 31 March 2022, amounting to 344.99315 cents per share, was declared to members holding preference shares registered on 10 June 2022 and was paid on 13 June 2022.

Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance that are set out on pages 5 to 14, pages 17 to 21, pages 24 to 42 and pages 79 to 91 of the Investec Group's 2022 integrated and strategic annual report. The directors have performed a robust assessment of the Group's financial forecasts across a range of scenarios over a 12 month period from the date the financial statements are authorised for issue. Based on these, the directors confirm that they have a reasonable expectation that the Company and the Group, as a whole, have 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, in addition to providing a going concern statement, the Board is required to make a statement with respect to the Group's viability (i.e. its ability to continue in operation and meet its liabilities), taking into account the current position of the Group, the Board's assessment of the Group's prospects and the principal risks it faces. Following confirmation by the DLC BRCC (comprising a majority of Non-Executive Directors, which includes certain members of the Audit Committees), the Audit Committees recommended the viability statement for Board approval.

The Board has identified the principal and emerging risks facing the Group and these are highlighted on pages 11 to 25.

Through its various sub-committees, notably the Audit Committees, the DLC BRCC and the capital committees, the Board regularly carries out a robust assessment of these risks and their potential impact on the performance, liquidity, solvency and operational resilience of the Group. The activities of these Board sub-committees and the issues considered by them are described in the Investec Group's 2022 risk and governance report.

DIRECTORS' REPORT
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Taking these risks into account, together with the Group's strategic objectives and the prevailing market environment, the Board approved the overall mandated risk appetite framework for Investec 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 Group's risk appetite, there are a number of detailed policy statements and governance structures in place. The Board ensures that there are appropriate resources in place to manage the risks arising from running the business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive Audit Committee Chair.

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

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

In order to manage liquidity risk, liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm specific, and combined scenarios (combination of the market-wide and firm specific stresses). The Group manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the Board-approved risk appetite. In addition to these stress scenarios, the Group's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each banking entity within the Group is required to be fully self-funded. The Group currently has £8.9 billion in cash and near cash assets, representing 48.5% of customer deposits.

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

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account the principal and emerging risks facing the Group, changes in the business environments and inputs from business units. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities.

- 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 programs 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).

DIRECTORS' REPORT
CONTINUED

The Group also typically incorporates the BoE regulatory scenario into its capital processes. 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 Group's viability in its 'base case' and stress scenarios. In assessing the Group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

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

In addition, Investec plc performs climate scenario analysis 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 plc has sufficient capital and liquidity to continue as a going concern and meet regulatory capital and liquidity requirements.

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

The Group 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 hosts an annual risk appetite process at which the Group's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes take place within each business division at least annually. These focus on, amongst other things: the business and competitive landscape; opportunities and challenges; and financial projections. A summary of these divisional budgets, together with a consolidated Group budget, is presented to the Board during its strategic review process early in the year.

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

- Pages 3 to 5, which give an overview of the business
- Pages 11 to 25, which provide detail on the principal and emerging risks the Group faces
- Page 11, which highlights information on the overall Group's risk appetite
- Pages 7 to 9, which provide an overview of the Group's approach to risk management, and the processes in place to assist the Group in mitigating its principal risks
- Pages 9, 26, 48, 52, and 69, which highlight information on the Group's various stress testing processes
- Pages 54 to 61, which specifically focus on the Group's philosophy and approach to liquidity management
- Page 67, which provide detail on the recovery plan
- Pages 67 to 71, which explain the Group's capital management framework.

This forward-looking viability statement made by the Board is based on information and knowledge of the Group at 22 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 the Group's control that could cause the Group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Social and Ethics Committee (SEC)

The Board of Investec plc has delegated the duties of the Social and Ethics Committee to the DLC SEC.

Further details of the role, responsibilities, membership and activities of the DLC SEC are set out on pages 97 and 98 of the Investec Group's 2022 risk and governance report.

Sustainability report

For information on our approach to social, environmental and ethical matters, please refer to the Investec Group's 2022 sustainability report.

DIRECTORS' REPORT
CONTINUED

Group carbon footprint

The Group reports its greenhouse gas emissions and environmental performance, in line with the UK Companies Act and its applicable regulations, and the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 20022 (as amended). Our carbon footprint has been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition), with reasonable assurance provided by KPMG. Our environmental data collection system allows us to track and manage our direct operational impact. This tool imports data from various sources, consolidates the information and calculates our carbon footprint. The implementation of this tool allows us to produce reliable emissions data and accurately build a history of our carbon footprint, and assists in setting targets for future emissions. Every year we endeavour to improve the thoroughness of our data collection processes. Within each geography, the environmental manager is responsible for monitoring the GHG emissions. The Investec plc Streamlined Energy and Carbon Report (SECR) may be found on the Investec website.

Assessment parameters

Consolidation approach
- Operational control

Emission factor data source
- DEFRA (2021), IEA, eGRID (for New York electricity) and Eskom (for South Africa electricity)

Intensity ratio
- Emissions per average headcount
- Emissions per office space m^2

Independent assurance
- Reasonable assurance provided by KPMG for the years ended: 31 March 2021 and 31 March 2022

Coverage
- Coverage of environmental information covers >95% of our business operations. Materiality set at 5%

			31 March 2022		31 March 2021	
		Units	**Consumption in unit of measure**	**Tonnes of CO_2 equivalent**	Consumption in unit of measure	Tonnes of CO_2 equivalent
Scope 1				**43**		**54**
Energy	Natural gas	kWh	237 093	43	291 400	54
Scope 2				**1 051**		**1 172**
Energy	Electrical energy consumption	kWh	4 342 643	1 051	4 153 372	1 172
Scope 3				**1 168**		**572**
Paper	Paper consumption	t	26	26	28	27
Waste	General waste[1]	t	62	29	8	4
Employee travel	Rail travel[1]	km	439 260	16	84 164	3
	Road business travel[1]	km	387 168	66	158 789	27
	Taxi[1]	km	33 973	5	17 042	3
	Commercial airlines[1]	km	2 177 562	645	69 942	54
Work-from-home emissions	Electrical energy consumption	kWh	566 767	120	665 762	155
	Natural gas	kWh	1 428 402	262	1 626 111	299
Total emissions before carbon mitigation[2]				**2 263**		**1 798**
No scope						
Water	Water consumption	kl	915		754	
Recycled waste	Recycled waste	t	174		99	
Intensity						
Emissions per average headcount				0.65		0.48
Emissions per m^2 office space				0.06		0.04
Water consumption per average headcount		kl		0.26		0.20
Intensity excl Scope 2						
Emissions per average headcount				0.40		0.25
Emissions per m^2 office space						0.02
Climate change mitigation						
Scope 2 REGOs in the UK		MWh	3 936	853	3 650	851
Carbon credits				1 410		947
Total emissions after mitigation				**–**		**–**

1. Increase as business activities resumes, in particular business travel.
2. While we have seen an increase in emissions year-on-year, we are 68% down on emissions against 31 March 2020 (7 021 tonnes of CO_2 equivalent). Please refer to the Investec Group's 2022 sustainability report for further information.

DIRECTORS' REPORT
CONTINUED

Climate-related financial disclosures report

Refer to the Investec Group's 2022 climate-related financial disclosures report for our progress on the Task Force on Climate-related Financial Disclosures (TFCD) recommendations.

Nominations and Directors' Affairs Committee (Nomdac)

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

Further details of the role, responsibilities, membership and activities of the DLC Nomdac are set out on pages 95 and 96 of the Investec Group's 2022 risk and governance report.

Remuneration Committee

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

Further details of the role, responsibilities, membership and activities of the DLC Remuneration Committee are set out on pages 4 to 6 of the Investec Group's 2022 remuneration report.

Audit Committee

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

Further details on the role and responsibility of the Audit Committee are set out on pages 73 to 82.

Independent auditor and audit information

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

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

The Board having satisfied itself as to their independence and effectiveness, has proposed a resolution to re-appoint them as auditors at the AGM scheduled to take place on 4 August 2022.

Major shareholders

The largest shareholders of Investec plc are shown on page 143 of the Investec Group's 2022 integrated and strategic annual report.

Special resolutions

At the AGM held on 5 August 2021, special resolutions were passed in terms of which:

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

AGM update statement

At the AGM on 5 August 2021, resolution 15 (approval of the DLC directors' remuneration report for the year ended 31 March 2021), resolution 23 (re-appointment of Ernst & Young (EY) Inc. as joint auditors of Investec Limited), resolution 24 (re-appointment of KPMG Inc. as joint auditors of Investec Limited) and resolution 38 (political donations), passed with a less than 80% majority.

The Board recognises that effective communication is integral to building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to our stakeholders. In addition to formal, written communication, executive management and Non-Executive Board members continue to engage with our shareholders on a regular basis.

Commenting on the less than 80% vote received for the Group's remuneration report
We consulted with shareholders in early 2021 to obtain their input on our new three-year remuneration policy. We further engaged with shareholders during July 2021 to discuss the Investec Group's final remuneration policy and the 2021 remuneration outcomes. The Board was pleased to receive strong support for the new Investec Group's remuneration policy, at 86.17%. We anticipate that the material increase in support for our new remuneration policy at the AGM will translate into an increased level of votes in favour of our future remuneration reports.

We will continue with the annual programme of engagement with our shareholders with a view to ensuring that future remuneration policies and resultant outcomes are reflective of business performance and the experience of our stakeholders while balancing this with an increasingly competitive labour market.

Refer to pages 12 to 20 of the Investec Group's 2022 remuneration report for a summary of the revised remuneration policy.

Commenting on the less than 80% vote received for the re-appointments of EY Inc. and KPMG Inc. as joint auditors of Investec Limited
As required by the South African Prudential Authority, Investec Limited has to appoint joint external auditors. EY Inc. and KPMG Inc. are the current joint auditors of Investec Limited.

The DLC Audit Committee considered the implications of the Mandatory Audit Firm Rotation (MAFR) rule as issued by the Independent Regulatory Board for Auditors (IRBA), the requirements of the South African Companies Act No. 71 of 2008, as amended, and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and the risks inherent to an audit transition.

DIRECTORS' REPORT
CONTINUED

Based on this assessment, following a comprehensive tender process, PricewaterhouseCoopers Inc. (PwC Inc.) was nominated as one of the new joint external auditors of Investec Limited for the financial year starting 1 April 2023. It is intended that PwC Inc. will replace KPMG Inc. as one of the joint external auditors of Investec Limited.

The appointment of PwC Inc. in a shadow capacity, for the 2022 financial year, will be recommended to shareholders at the AGM to be held in August 2022. A formal transition process will commence during 2022, whereby PwC Inc. will shadow the full audit cycle performed by the incumbent joint external auditors.

A competitive tender process for the second rotation will commence during the 2023 financial year, to appoint the second incoming audit firm to perform the audit for the financial year starting 1 April 2025, in accordance with the MAFR rules as published by the IRBA. It is intended that the second incoming joint audit firm will replace Ernst & Young Inc. as one of the joint external auditors of Investec Limited.

Refer to pages 108 and 109 of the Investec Group's 2022 risk and governance report for further details with regard to the DLC Audit Committee's review of the external auditors, and the MAFR process.

Commenting on the less than 80% vote received for authority to make political donations and to incur political expenditure
As stated in the notices to the AGMs, Investec plc does not give any money for political purposes in the UK nor does it make any donations to UK political organisations or incur UK political expenditure. However, the definitions of political donations and political expenditure used in the UK Companies Act are very wide. In line with UK market practice, the authority is therefore requested only as a precautionary measure to ensure that Investec plc and any company which is or becomes a subsidiary of Investec plc does not inadvertently breach the relevant provisions of the UK Companies Act.

Diversity and employees

We have various processes to encourage debate and dialogue around valuing diversity and difference. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity. The Investec Group policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations, and to incentivise employees to take an interest in the Group's performance by means of employee share schemes.

Further information is provided in the Investec Group's 2022 sustainability report.

Empowerment and transformation

The Group endeavours to prevent and/or eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, nationality or sexual preferences. People with disabilities are an essential part of a diverse talent pool and are always considered, with every effort made to accommodate and facilitate an accessible environment. In the event of employees becoming disabled while in our employ, we are committed to ensuring their continued employment to the extent that this is possible. We have various processes to encourage debate and dialogue around valuing diversity and differences. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity.

Research and development

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

Political donations and expenditure

The Group did not make any political donations in the financial year ended 31 March 2022 (2021: Nil).

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 172 to 174.

Uncertain tax and other legal matters

The Board considered legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements. Refer to note 49 on page 165.

Events after the reporting date

On 31 May 2022, Investec plc distributed 46.6 million Ninety One shares. The total value of the distribution was £106.5 million. Investec plc maintained a shareholding of 93.0 million Ninety One plc shares (14.94%) post the distribution. The remaining shareholding in Ninety One plc will be accounted for at fair value through other comprehensive income as before the distribution.

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

Signed on behalf of the Board of Investec plc

Philip Hourquebie
Chair
22 June 2022

Fani Titi
Chief Executive
22 June 2022

SCHEDULE A TO THE DIRECTORS' REPORT

Additional information for shareholders

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

Share capital

The issued share capital of Investec plc at 31 March 2022 consists of 696 082 618 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 318 904 709 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

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

Dividends and distributions

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

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

Voting rights

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

Restrictions on voting

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

Deadlines for exercising voting rights

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

Variation of rights

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

Transfer of shares

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

SCHEDULE A TO THE DIRECTORS' REPORT CONTINUED

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

Plc preference shares

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

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

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

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

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

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

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

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

Shares required for the DLC structure

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

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

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

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

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

03

Annual financial statements

IN THIS SECTION

DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 95 to 97, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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

The directors are required by the UK Companies Act and South African Companies Act to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards which comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU. At 31 March 2022, UK adopted IAS are identical in all material respects to current IFRS applicable to the Group, with differences only in the effective dates of certain standards. The parent company financial statements have been prepared in accordance with section 408 of the UK Companies Act 2006. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the FCA's Disclosure Guidance and Transparency Rules (DTR), Group financial statements are required to be prepared in accordance with UK adopted international accounting standards which comply with IFRS as issued by the IASB and with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU.

In preparing the financial statements the directors are required to:

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

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

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

Directors' responsibility statement

The directors, whose names and functions are set out on pages 109 to 111 of Investec Group's 2022 integrated and strategic annual report, confirm to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK adopted international accounting standards which comply with the IFRS as issued by the IASB, and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- That the annual report, including the strategic report (as contained in the Investec Group's 2022 integrated and strategic report), includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Financial results

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

The preparation of these results was supervised by the Investec group finance director, Nishlan Samujh.

Approval of annual financial statements

The directors' report and the annual financial statements of the Group, which appear on pages 83 to 91 and pages 98 to 187, were approved by the Board of directors on 22 June 2022.

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

Signed on behalf of the Board

Philip Hourquebie
Chair
22 June 2022

Fani Titi
Chief Executive
22 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC

Opinion

We have audited the special purpose financial statements of Investec Plc (the Group) for the year ended 31 March 2022, which comprise consolidated balance sheet, the consolidated income statement, the consolidated statement of total comprehensive income, consolidated statement of changes in equity, consolidated cash flow statements and the related notes 1 to 57, including a summary of significant accounting policies and information in sections "Risk management and governance" identified as "audited" on pages 8 to 91. The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the accounting policies set out on pages 104 to 115.

These annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the dual listed company (DLC) structure did not exist and, with this exception and the exclusion of certain other remuneration and related party disclosures, are prepared in accordance with UK adopted international accounting standards. For an understanding of the financial position, results and cash flows of the Investec DLC group, the user is referred to the Investec annual report 2022 – Investec annual financial statements.

Investec DLC group consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a DLC structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role, and accordingly are reported as a single reporting entity under International Financial Reporting Standards (IFRS). These group annual financial statements are prepared in in accordance UK adopted international accounting standards which comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

As explained in the accounting policies set out on pages 104 to 115, these special purpose financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its subsidiaries. For the avoidance of doubt, they exclude Investec Limited and its subsidiaries.

In our opinion, the accompanying financial statements of the Group for the year ended 31 March 2022 are prepared, in all material respects, in accordance with the accounting policies set out on 104 to 115.

Basis for Opinion

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

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

Conclusions relating to going concern

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

- understanding management's going concern assessment process, including the impact of the COVID-19 pandemic ("COVID-19") and current macro-economic environment in which both silos and the Group operates;
- assessing the board approved budgets, including the reasonableness and completeness of assumptions. In assessing these assumptions, we considered the impact of COVID-19 and the current macro-economic environment, the trading environment, current operating performance, principal risks and appropriate mitigating factors;
- assessing the information used in the going concern assessment for consistency with the information obtained through auditing other areas of the business, obtaining an understanding of the business planning process and challenging the central assumptions;
- involving specialists to assess the results of management's stress testing, including consideration of principal and emerging risks on funding, liquidity and regulatory capital. We performed independent stress testing of capital and liquidity ratios and evaluated the plausibility of the outcome under which regulatory minimum requirements would be breached. In addition, we evaluated the viability of management actions available to mitigate erosion of capital and liquidity;
- assessed the Group's compliance with external debt covenants;
- inspecting correspondence with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) for matters that may impact the going concern assessment; and
- evaluating the appropriateness and conformity of the going concern disclosure included in the annual report with the reporting standards and management's going concern assessment.

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

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

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

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

We draw attention to the accounting policies set out on pages 104 to 115 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the board of Investec plc in complying with the financial reporting provisions of the contractual agreements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of Investec plc in accordance with our engagement letter dated 9 April 2021, and should not be distributed to or used by parties other than the members of Investec plc. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report in sections 1 (pages 2 to 5), section 2 (pages 6 to 91), and pages marked as unaudited in section 3 (pages 92 to 187), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and IFRS), the Companies Act 2006 and the UK Corporate Governance Code, the FCA Listing Rules, regulations and supervisory requirements of the PRA, FRC, FCA and other overseas regulatory requirements, 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.

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

- 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. 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 matter

Investec plc has prepared a separate set of combined consolidated statutory financial statements for the year ended 31 March 2022 in accordance UK adopted international accounting standards which comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, on which we issued a separate auditor's report to the shareholders of Investec plc dated 22 June 2022.

Ernst & Young LLP

Manprit Dosanjh
(Senior statutory auditor)
for and on behalf of

Ernst & Young LLP
London
22 June 2022

CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	Notes	2022	2021
Interest income	2	718 446	701 220
Interest income calculated using effective interest method		618 404	586 769
Other interest income		100 042	114 451
Interest expense	2	(235 727)	(301 506)
Net interest income		**482 719**	**399 714**
Fee and commission income	3	510 228	501 794
Fee and commission expense	3	(14 913)	(13 271)
Investment income	4	31 255	31 266
Share of post-taxation profit of associates and joint venture holdings	29	13 878	10 829
Trading income/(loss) arising from			
– customer flow		60 372	(11 025)
– balance sheet management and other trading activities		(7 103)	11 262
Other operating income	5	11 533	15 831
Total operating income before expected credit loss impairment charges		**1 087 969**	**946 400**
Expected credit loss impairment charges	6	(25 159)	(71 196)
Operating income		**1 062 810**	**875 204**
Operating costs	7	(775 866)	(766 367)
Operating profit before goodwill, acquired intangibles and strategic actions		**286 944**	**108 837**
Impairment of goodwill	33	—	(11 248)
Amortisation of acquired intangibles	34	(12 936)	(12 851)
Closure and rundown of the Hong Kong direct investments business	12	(1 203)	7 387
Operating profit		**272 805**	**92 125**
Implementation costs on distribution of investment to shareholders	12	(1 017)	—
Profit before taxation		**271 788**	**92 125**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(37 612)	(24 243)
Taxation on goodwill, acquired intangibles and strategic actions	10	1 678	1 029
Profit after taxation		**235 854**	**68 911**
Loss attributable to other non-controlling interests		—	861
Earnings attributable to shareholders		**235 854**	**69 772**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2022	2021
Profit after taxation		**235 854**	**68 911**
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)	817
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		5 450	(4 529)
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:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		22 864	99 287
Gains attributable to own credit risk*		11 059	62
Movement in post-retirement benefit liabilities		40	(39)
Total comprehensive income		**273 301**	**164 661**
Total comprehensive loss attributable to non-controlling interests		—	(861)
Total comprehensive income attributable to ordinary shareholders		256 421	148 642
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		16 880	16 880
Total comprehensive income		**273 301**	**164 661**

* 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.

CONSOLIDATED BALANCE SHEET

At 31 March £'000	Notes	2022	2021
Assets			
Cash and balances at central banks	18	5 379 994	3 043 034
Loans and advances to banks	19	1 467 770	1 385 471
Reverse repurchase agreements and cash collateral on securities borrowed	20	1 447 473	2 065 232
Sovereign debt securities	21	1 165 777	1 108 253
Bank debt securities	22	61 714	48 044
Other debt securities	23	427 761	698 961
Derivative financial instruments	24	693 133	773 333
Securities arising from trading activities	25	163 165	281 645
Investment portfolio	26	694 324	714 315
Loans and advances to customers	27	14 426 475	12 335 837
Other loans and advances	27	122 717	123 536
Other securitised assets	28	93 087	107 259
Interests in associated undertakings and joint venture holdings	29	66 895	58 658
Deferred taxation assets	30	110 377	110 750
Current taxation assets		33 448	58 174
Other assets	31	1 139 439	1 392 596
Property and equipment	32	155 055	185 502
Goodwill	33	249 836	249 836
Software	34	7 066	7 791
Other acquired intangible assets	34	40 807	53 281
		27 946 313	**24 801 508**
Liabilities			
Deposits by banks		2 026 601	1 352 581
Derivative financial instruments	24	863 295	914 863
Other trading liabilities	36	42 944	49 055
Repurchase agreements and cash collateral on securities lent	20	154 828	157 357
Customer accounts (deposits)		18 293 891	16 077 671
Debt securities in issue	37	1 648 177	1 602 584
Liabilities arising on securitisation of other assets	28	95 885	108 281
Current taxation liabilities		2 460	36 862
Deferred taxation liabilities	30	—	19 984
Other liabilities	38	1 379 327	1 204 332
		24 507 408	**21 523 570**
Subordinated liabilities	39	758 739	771 481
		25 266 147	**22 295 051**
Equity			
Ordinary share capital	40	202	202
Ordinary share premium	42	806 812	806 812
Treasury shares	43	(161 522)	(134 185)
Other reserves		(23 914)	(65 686)
Retained income		1 782 961	1 624 130
Ordinary shareholders' equity		**2 404 539**	**2 231 273**
Perpetual preference share capital and premium	41	24 794	24 794
Shareholders' equity excluding non-controlling interests		**2 429 333**	**2 256 067**
Other Additional Tier 1 securities in issue	44	250 000	250 000
Non-controlling interests in partially held subsidiaries	45	833	390
Total equity		**2 680 166**	**2 506 457**
Total liabilities and equity		**27 946 313**	**24 801 508**

Fani Titi

Chief Executive
22 June 2022

CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 March £'000	Notes	2022	2021
Profit before taxation adjusted for non-cash items	47	367 615	206 883
Taxation paid		(49 407)	(45 006)
(Increase)/decrease in operating assets	47	(749 706)	442 348
Increase/(decrease) in operating liabilities	47	3 035 217	(117 108)
Net cash inflow from operating activities		**2 603 719**	**487 117**
Cash flow on disposal of Group operations and subsidiaries		14 274	20 388
Derecognition of cash on disposal of subsidiaries		(4 152)	(7 799)
Cash flow on net disposal of non-controlling interests		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)	(7 285)
Cash flow on disposal of property, equipment, software and other intangible assets		4 273	318
Net cash inflow from investing activities		**1 127**	**12 861**
Dividends paid to ordinary shareholders		(63 316)	(18 007)
Dividends paid to other equity holders		(17 227)	(17 317)
Cash flow on acquisition of treasury shares, net of related costs		(47 694)	(31 632)
Proceeds from issue of subordinated debt		347 536	—
Redemption of subordinated debt		(307 962)	—
Lease liabilities paid		(43 253)	(53 454)
Net cash outflow from financing activities		**(131 916)**	**(120 410)**
Effects of exchange rates on cash and cash equivalents		**(607)**	**5 872**
Net increase in cash and cash equivalents		**2 472 323**	**385 440**
Cash and cash equivalents at the beginning of the year		4 369 447	3 984 007
Cash and cash equivalents at the end of the year		**6 841 770**	**4 369 447**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		5 379 994	3 043 034
On demand loans and advances to banks		1 461 776	1 326 413
Cash and cash equivalents at the end of the year		**6 841 770**	**4 369 447**

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: £59.1 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

£'000	Ordinary share capital	Ordinary share premium	Treasury shares	Other reserves: Capital reserve account	Other reserves: Fair value reserve	Other reserves: Foreign currency reserves	Other reserves: Own credit reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
At 1 April 2020	**202**	**806 812**	**(140 559)**	**(180 899)**	**39 984**	**5 128**	**(12 184)**	**1 592 182**	**2 110 666**	**24 794**	**2 135 460**	**250 000**	**3 369**	**2 388 829**
Movement in reserves 1 April 2020 – 31 March 2021														
Profit after taxation	—	—	—	—	—	—	—	69 772	69 772	—	69 772	—	(861)	68 911
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	—	(19)	—	399	—	380	—	380	—	—	380
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	—	817	—	—	—	817	—	817	—	—	817
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	—	(228)	—	—	—	(228)	—	(228)	—	—	(228)
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—	—	99 287	—	—	—	99 287	—	99 287	—	—	99 287
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	(4 529)	—	—	(4 529)	—	(4 529)	—	—	(4 529)
Gains attributable to own credit risk	—	—	—	—	—	—	62	—	62	—	62	—	—	62
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	—	(39)	(39)	—	(39)	—	—	(39)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**99 857**	**(4 529)**	**461**	**69 733**	**165 522**	**—**	**165 522**	**—**	**(861)**	**164 661**
Share-based payments adjustments	—	—	—	—	—	—	—	(1 213)	(1 213)	—	(1 213)	—	—	(1 213)
Dividends paid to ordinary shareholders	—	—	—	—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	—	(18 007)
Dividends declared to perpetual preference shareholders	—	—	—	—	—	—	—	(437)	(437)	437	—	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—	—	—	—	—	—	—	(437)	(437)	—	—	(437)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
Transfer from foreign currency reserve	—	—	—	—	—	980	—	(980)	—	—	—	—	—	—
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	—	(268)	(268)	—	(268)	—	(2 118)	(2 386)
Movement of treasury shares	—	—	6 374	(14 484)	—	—	—	—	(8 110)	—	(8 110)	—	—	(8 110)
At 31 March 2021	**202**	**806 812**	**(134 185)**	**(195 383)**	**139 841**	**1 579**	**(11 723)**	**1 624 130**	**2 231 273**	**24 794**	**2 256 067**	**250 000**	**390**	**2 506 457**
Movement in reserves 1 April 2021 – 31 March 2022														
Profit after taxation	—	—	—	—	—	—	—	235 854	235 854	—	235 854	—	—	235 854
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	—	(47)	—	664	—	617	—	617	—	—	617
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	—	(307)	—	—	—	(307)	—	(307)	—	—	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	—	(2 276)	—	—	—	(2 276)	—	(2 276)	—	—	(2 276)
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—	—	22 864	—	—	—	22 864	—	22 864	—	—	22 864
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	5 450	—	—	5 450	—	5 450	—	—	5 450
Gains attributable to own credit risk	—	—	—	—	—	—	11 059	—	11 059	—	11 059	—	—	11 059
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	—	40	40	—	40	—	—	40
Total comprehensive income for the year	—	—	—	**—**	**20 234**	**5 450**	**11 723**	**235 894**	**273 301**	**—**	**273 301**	**—**	**—**	**273 301**
Share-based payments adjustments	—	—	—	—	—	—	—	3 480	3 480	—	3 480	—	—	3 480
Dividends paid to ordinary shareholders	—	—	—	—	—	—	—	(63 316)	(63 316)	—	(63 316)	—	—	(63 316)
Dividends declared to perpetual preference shareholders	—	—	—	—	—	—	—	(347)	(347)	347	—	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—	—	—	—	—	—	—	(347)	(347)	—	—	(347)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	—	—	—	—	—	—	443	443
Movement of treasury shares	—	—	(27 337)	4 365	—	—	—	—	(22 972)	—	(22 972)	—	—	(22 972)
At 31 March 2022	**202**	**806 812**	**(161 522)**	**(191 018)**	**160 075**	**7 029**	**—**	**1 782 961**	**2 404 539**	**24 794**	**2 429 333**	**250 000**	**833**	**2 680 166**

ACCOUNTING POLICIES

Basis of presentation

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

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

These Group annual financial statements are prepared in accordance with UK adopted international accounting standards and with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union (EU).

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

As stated on page 76, 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 7 to 71.

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

Basis of consolidation

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

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

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

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

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

Entities, other than subsidiary undertakings, in which the Group exercises significant influence or joint control over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence 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.

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

Segmental reporting

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

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

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

ACCOUNTING POLICIES
CONTINUED

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

Share-based payments to employees

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

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

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

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

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

Employee benefits

The Group operates various defined contribution schemes.

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

Foreign currency transactions and foreign operations

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

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

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

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

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and 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 instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

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

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

Fair value measurement

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

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

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

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

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

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

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

Financial instruments

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

Business model assessment

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

The standard sets out different types of business models:

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

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

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

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

Solely payments of principal and interest (SPPI)

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

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

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

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

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

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

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

Stage 1

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

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

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

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

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

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

Process to determine ECL
ECLs are calculated using three main components:

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

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

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A Group of financial liabilities or both financial assets and financial liabilities is managed and 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.

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).

ACCOUNTING POLICIES
CONTINUED

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.

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 60 for more detail on the impact of IBOR reform.

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

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

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

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.

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.

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

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

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

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

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

Trading properties

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

Software and intangible assets

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

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

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

Taxation and deferred taxation

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

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

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

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

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

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

Borrowing costs

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

ACCOUNTING POLICIES
CONTINUED

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

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

IFRS 17 is effective 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 44 to 46 in section 3, pages 84 to 86 of section 3 and throughout section 4, 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
- In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 are determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the Group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15.

  Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on page 48.
- 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 44 to 46
- 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 44 of section 3.

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ACCOUNTING POLICIES
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- 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
- 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

		Specialist Banking	Specialist Banking			
	Private Client	Private Client				
For the year to 31 March 2022 **£'000**	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	**Total Group**
Net interest income	2 268	70 692	409 759	—	—	482 719
Fee and commission income	344 685	1 579	163 964	—	—	510 228
Fee and commission expense	(656)	(23)	(14 234)	—	—	(14 913)
Investment income	(2)	816	10 033	20 408	—	31 255
Share of post-taxation profit of associates and joint venture holdings	—	—	13 878	—	—	13 878
Trading income/(loss) arising from						
– customer flow	1 194	2 228	56 950	—	—	60 372
– balance sheet management and other trading activities	(307)	2	(6 798)	—	—	(7 103)
Other operating income	—	—	11 533	—	—	11 533
Total operating income before expected credit loss impairment charges	**347 182**	**75 294**	**645 085**	**20 408**	**—**	**1 087 969**
Expected credit loss impairment charges	(5)	(2 432)	(22 722)	—	—	(25 159)
Operating income	**347 177**	**72 862**	**622 363**	**20 408**	**—**	**1 062 810**
Operating costs	(259 496)	(42 034)	(459 517)	—	(14 819)	(775 866)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**87 681**	**30 828**	**162 846**	**20 408**	**(14 819)**	**286 944**
Loss attributable to other non-controlling interests	—	—	—	—	—	—
Adjusted operating profit/(loss) after non-controlling interests	**87 681**	**30 828**	**162 846**	**20 408**	**(14 819)**	**286 944**
Selected returns and key statistics						
Cost to income ratio	74.7%	55.8%	71.2%	n/a	n/a	71.3%
Total assets (£'mn)	1 137	4 528	22 101	180	n/a	27 946

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. Segmental business analysis – income statement (continued)

		Specialist Banking	Specialist Banking			
	Private Client	Private Client				
For the year to 31 March 2021 **£'000**	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	**Total Group**
Net interest income	2 296	34 664	362 754	—	—	399 714
Fee and commission income	316 813	705	184 276	—	—	501 794
Fee and commission expense	(773)	(61)	(12 437)	—	—	(13 271)
Investment income	272	19	22 122	8 853	—	31 266
Share of post-taxation profit of associates and joint venture holdings	—	—	10 829	—	—	10 829
Trading income/(loss) arising from						
– customer flow	920	1 196	(13 141)	—	—	(11 025)
– balance sheet management and other trading activities	(9)	13	11 258	—	—	11 262
Other operating income	—	—	15 831	—	—	15 831
Total operating income before expected credit loss impairment charges	**319 519**	**36 536**	**581 492**	**8 853**	**—**	**946 400**
Expected credit loss impairment release/(charges)	(4)	(1 515)	(69 677)	—	—	(71 196)
Operating income	**319 515**	**35 021**	**511 815**	**8 853**	**—**	**875 204**
Operating costs	(245 175)	(38 033)	(464 873)	—	(18 286)	(766 367)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**74 340**	**(3 012)**	**46 942**	**8 853**	**(18 286)**	**108 837**
Loss attributable to other non-controlling interests	—	—	861	—	—	861
Adjusted operating profit/(loss) after non-controlling interests	**74 340**	**(3 012)**	**47 803**	**8 853**	**(18 286)**	**109 698**
Selected returns and key statistics						
Cost to income ratio	76.7%	104.1%	79.8%	n/a	n/a	80.9%
Total assets (£'mn)	1 016	3 338	20 302	146	n/a	24 802

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	8 071 461	24 441	0.30%	7 711 266	27 785	0.36%
Loans and advances	2	13 435 691	624 516	4.65%	12 170 562	579 809	4.76%
Private client		4 013 304	123 740	3.08%	2 873 101	84 191	2.93%
Corporate, institutional and other clients		9 422 387	500 776	5.31%	9 297 461	495 618	5.33%
Other debt securities and other loans and advances		609 114	18 047	2.96%	851 364	34 207	4.02%
Other#	3	233 801	51 442	n/a	287 831	59 419	n/a
		22 350 067	**718 446**		**21 021 023**	**701 220**	

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	3 308 178	32 971	1.00%	3 199 198	44 378	1.39%
Customer accounts (deposits)		16 761 883	93 235	0.56%	16 029 279	131 233	0.82%
Subordinated liabilities		870 954	49 497	5.68%	789 555	48 145	6.10%
Other#	5	363 193	60 024	n/a	436 350	77 750	n/a
		21 304 208	**235 727**		**20 454 382**	**301 506**	
Net interest income			**482 719**			**399 714**	
Net interest margin			**2.16%**			**1.90%**	

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. Net fee and commission income

For the year to 31 March £'000	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	**151 286**	**172 483**
Specialist Banking fee and commission income	165 543	184 981
Specialist Banking fee and commission expense	(14 257)	(12 498)
Net fee and commission income	**495 315**	**488 523**
Annuity fees (net of fees payable)	318 389	284 745
Deal fees	176 926	203 778

4. Investment income

For the year to 31 March £'000	2022	2021
Realised	28 988	37 881
Unrealised*	(26 726)	(21 699)
Dividend income	27 325	12 781
Funding and other net related income	1 668	2 303
	31 255	**31 266**

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)	2 350	1 176	(643)	(457)	4 274	(29 900)	(26 726)
Dividend income	20 445	6 667	—	27 112	—	—	213	27 325
Funding and other net related income	—	—	—	—	—	1 668	—	1 668
	18 690	**27 045**	**1 728**	**47 463**	**55**	**1 559**	**(17 822)**	**31 255**
2021								
Realised	9 367	971	13	10 351	6 121	(1 755)	23 164	37 881
Unrealised*	6 449	7 485	(35)	13 899	(2 967)	(3 141)	(29 490)	(21 699)
Dividend income	8 875	3 906	—	12 781	—	—	—	12 781
Funding and other net related income	—	—	—	—	—	2 303	—	2 303
	24 691	**12 362**	**(22)**	**37 031**	**3 154**	**(2 593)**	**(6 326)**	**31 266**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Other operating income

For the year to 31 March £'000	2022	2021
Losses on realisation of properties	—	(73)
Unrealised gains on other investments	2 161	7 441
Income from operating leases	1 539	4 245
Income from government grants*	7 833	4 218
	11 533	**15 831**

* 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	21 815	65 328
Other loans and advances	19	(53)
Other balance sheet assets	3 824	581
Off-balance sheet commitments and guarantees	(499)	5 340
	25 159	**71 196**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Operating costs

For the year to 31 March £'000	2022	2021
Staff compensation costs	551 999	563 114
Salaries and wages (including directors' remuneration)**	448 874	466 202
Share-based payment expense	23 664	22 309
Social security costs	51 099	45 446
Pensions and provident fund contributions	28 362	29 157
Training and other costs	12 565	4 453
Staff costs	564 564	567 567
Premises expenses	41 071	41 413
Premises expenses (excluding depreciation and impairments)	16 933	18 018
Premises depreciation and impairments	24 138	23 395
Equipment expenses (excluding depreciation)	54 499	49 551
Business expenses*	94 041	88 954
Marketing expenses	13 686	8 854
Depreciation, amortisation and impairment on equipment, software and intangibles	8 005	10 028
	775 866	**766 367**
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	**6 643**	**6 173**
Audit of the Group's accounts	404	392
Audit of the Group's subsidiaries pursuant to legislation	5 156	5 069
Audit related assurance services	1 083	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	**7 005**	**6 552**

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
** Details of the directors' emoluments, pensions and their interests are disclosed in the Investec remuneration report 2022.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments

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

Further information on the Group share options and long-term incentive plans is provided in the remuneration report included in the Investec Group's 2022 integrated annual report and on our website.

For the year to 31 March £'000	2022	2021
Share-based payment expense		
Equity-settled	**23 664**	22 309

For the year to 31 March £'000	2022	2021
Weighted average fair value of awards granted in the year		
UK schemes	**42 990**	11 696

	UK schemes			
	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	22 431 650	0.01	20 742 278	0.02
Sale of business	(94 076)	0.00	—	0.00
Granted during the year	14 657 836	0.00	8 455 609	0.00
Exercised during the year^	(5 595 039)	0.00	(5 649 509)	0.00
Awards forfeited during the year	(1 810 130)	0.04	(1 116 728)	0.19
Outstanding at the end of the year	**29 590 241**	**0.00**	**22 431 650**	**0.01**
Exercisable at the end of the year	**487 445**	**—**	**401 818**	**—**

^ 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	2.26 years	2.07 years
Weighted average fair value of awards and long-term grants at measurement date	£2.93	£1.38
The fair values of awards granted were calculated using a Black-Scholes option pricing model and shares granted were calculated at market price. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£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

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 £7 263 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and as a result was accounted for in retained income. The liability was subsequently measured at fair value through profit 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 £3.7 million (31 March 2021: £8.2 million).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Long-term employment benefits (continued)

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	6 655 601	0.01	9 121 084	0.02
Sale of business	(30 412)	0.00	—	0.00
Granted during the year^	3 961	0.00	—	0.00
Exercised during the year	(2 058 445)	0.00	(2 092 045)	0.00
Lapsed during the year	(258 197)	0.12	(373 438)	0.22
Outstanding at the end of the year	**4 312 508**	**0.01**	**6 655 601**	**0.01**
Exercisable at the end of the year	**237 106**	**—**	**201 285**	**—**

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

The exercise price range and weighted average remaining contractual life for market strike options and long-term awards outstanding at 31 March 2022 were as follows:

Additional information relating to awards:	2022	2021
Options with strike price		
Exercise price range	£2.90 - £3.39	£2.90 - £3.39
Weighted average remaining contractual life	0.25 years	0.71 years
Long-term awards with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.05 years	1.52 years

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 - 6.44 years
– Expected dividend yields	0% - 7.41%	0% - 4.68%
– Risk-free rate	0.69% - 2.03%	0% - 0.82%

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	53 932	4 258
Adjustments in respect of prior years	1 170	(836)
Corporation tax before double tax relief	**55 102**	**3 422**
Double tax relief	(436)	—
	54 666	**3 422**
Europe	1 505	1 560
Australia	329	74
Other*	3 056	932
	4 890	**2 566**
Total current taxation	**59 556**	**5 988**
Deferred taxation		
UK	(21 407)	4 707
Europe	(2 447)	(116)
Australia	1 008	13 722
Other	(776)	(1 087)
Total deferred taxation	**(23 622)**	**17 226**
Total taxation charge for the year	**35 934**	**23 214**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	37 612	24 243
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(1 678)	(1 029)
	35 934	**23 214**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(8 488)	16 216
Changes in taxation rates	(12 823)	154
Adjustment in respect of prior years	(2 311)	856
	(23 622)	**17 226**
The deferred taxation (credit)/charge in the income statement arose from:		
Deferred capital allowances	(8 371)	(2 858)
Income and expenditure accruals	(2 644)	15 899
Asset in respect of unexpired options	(12 485)	(2 191)
Unrealised fair value adjustment on financial instruments	(2 987)	621
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	(1 317)	(2 380)
Other temporary differences	130	2 210
	(23 622)	**17 226**
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.

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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	**271 788**	**92 125**
Taxation on profit before taxation	**35 934**	**23 214**
Effective tax rate	**13.2%**	**25.2%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2021: 19%)	51 640	17 503
Taxation adjustments relating to foreign earnings	(1 723)	3 853
Taxation relating to prior years	(1 141)	20
Impairment of goodwill and non-operating items	(6)	2 162
Share options accounting (expense)/income	(2 658)	214
Non-taxable income	(4 507)	(9 141)
Net other permanent differences	(199)	(1 590)
Bank surcharge	10 481	—
Capital gains – non-taxable/covered by losses	(4 426)	(3 628)
Movement in unrecognised trading losses	1 299	13 667
Change in tax rate	(12 826)	154
Total taxation charge as per income statement	**35 934**	**23 214**
Other comprehensive income taxation effects		
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement	(307)	817
Pre-taxation	(429)	1 009
Taxation effect	122	(192)
Fair value movements on debt and equity instruments at FVOCI taken directly to other comprehensive income	20 588	99 059
Pre-taxation	20 207	99 194
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

	2022		2021	
For the year to 31 March £'000	Pence per share	Total	Pence per share	Total
Ordinary dividend				
Final dividend for prior year	7.5	24 264	—	—
Interim dividend for current year	11.0	39 052	5.5	18 007
Total dividend attributable to ordinary shareholders	**18.5**	**63 316**	**5.5**	**18 007**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2022 of 14.0 pence per ordinary share (31 March 2021: 7.5 pence).

This will be paid as follows:

- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 14.0 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment on the SA DAS share of 14.0 pence per ordinary share.

The final dividend to shareholders on the register at the close of business on 22 July 2022 is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 4 August 2022 and, if approved,will be paid on 8 August 2022.

	2022			2021		
For the year to 31 March £'000	Pence per share	Cents per share	Total	Pence per share	Cents per share	Total
Perpetual preference dividend						
Final dividend for prior year	5.48	331.59	174	8.43	468.30	262
Interim dividend for current year	5.52	333.41	173	5.52	350.65	175
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**11.00**	**665.00**	**347**	**13.95**	**818.95**	**437**

The directors have declared a final dividend in respect of the financial year ended 31 March 2022 of 6.41369 pence (Investec plc shares traded on the JSE Limited) and 6.41369 pence (Investec plc shares traded on the Channel Island Stock Exchange), and 344.99315 cents per Rand-denominated perpetual preference share. The final Sterling dividend will be payable on 20 June 2022 to shareholders on the register at the close of business on 10 June 2022. The final Rand dividend will be payable on 13 June 2022 to shareholders on the register at the close of business on 10 June 2022.

For the year to 31 March £'000	2022	2021
Dividend attributable to Other Additional Tier 1 securities	**16 880**	**16 880**

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

12. Financial impact of strategic actions

For the year to 31 March £'000	2022	2021
Closure and rundown of the Hong Kong direct investments business*	(1 203)	7 387
Implementation costs on distribution of investment to shareholders^	(1 017)	—
Financial impact of strategic actions	**(2 220)**	**7 387**
Taxation on financial impact of strategic actions	633	(1 390)
Net financial impact of strategic actions	**(1 587)**	**5 997**

* Included within the balance are fair value gains of £0.7 million (31 March 2021: fair value losses of £10.3 million).
^ Refer to note 57 for details regarding the distribution.

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

For the year to 31 March £'000	At fair value through profit or loss IFRS 9 mandatory			At fair value through comprehensive income					
	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2022									
Net interest income	(17 200)	54 104	(26 472)	36 558	—	432 466	1 538	1 725	482 719
Fee and commission income	16 822	1 382	—	—	—	69 311	—	422 713	510 228
Fee and commission expense	—	—	—	—	—	(2 162)	—	(12 751)	(14 913)
Investment income	1 728	25 950	584	1 134	20 408	1 214	(19 763)	—	31 255
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	—	13 878	—	13 878
Trading income/(loss) arising from									
– customer flow	34 630	30 413	(4 671)	—	—	—	—	—	60 372
– balance sheet management and other trading activities	(102)	(6 611)	1 576	—	—	(1 966)	—	—	(7 103)
Other operating income	—	—	—	—	—	1 539	—	9 994	11 533
Total operating income/(expense) before expected credit loss	**35 878**	**105 238**	**(28 983)**	**37 692**	**20 408**	**500 402**	**(4 347)**	**421 681**	**1 087 969**
Expected credit loss impairments charges*	—	—	—	—	—	(25 159)	—	—	(25 159)
Operating income/(expense)	**35 878**	**105 238**	**(28 983)**	**37 692**	**20 408**	**475 243**	**(4 347)**	**421 681**	**1 062 810**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2021									
Net interest income	(25 802)	61 871	(29 964)	28 312	—	364 782	2 169	(1 654)	399 714
Fee and commission income	17 766	3 162	—	—	—	68 247	—	412 619	501 794
Fee and commission expense	—	—	—	—	—	(2 034)	—	(11 237)	(13 271)
Investment income	(22)	8 023	1 977	(1 009)	8 853	2 507	10 937	—	31 266
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	—	10 829	—	10 829
Trading income/(loss) arising from									
– customer flow	31 165	(7 025)	(35 165)	—	—	—	—	—	(11 025)
– balance sheet management and other trading activities	2 097	(3 903)	8 012	—	—	5 056	—	—	11 262
Other operating income	—	—	—	—	—	4 246	(3)	11 588	15 831
Total operating income/(expense) before expected credit loss	**25 204**	**62 128**	**(55 140)**	**27 303**	**8 853**	**442 804**	**23 932**	**411 316**	**946 400**
Expected credit loss impairments charges*	—	—	—	—	—	(71 196)	—	—	(71 196)
Operating income/(expense)	**25 204**	**62 128**	**(55 140)**	**27 303**	**8 853**	**371 608**	**23 932**	**411 316**	**875 204**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

At 31 March 2022 £'000	At fair value through profit or loss IFRS 9 mandatory Trading*	Non-trading*	Designated at initial recognition	At fair value through comprehensive income Debt instrument with dual business model	Equity instruments	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Assets									
Cash and balances at central banks	—	—	—	—	—	—	5 379 994	—	5 379 994
Loans and advances to banks	—	—	—	—	—	—	1 467 770	—	1 467 770
Reverse repurchase agreements and cash collateral on securities borrowed	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	283 713	—	427 761
Derivative financial instruments	693 133	—	—	—	—	693 133	—	—	693 133
Securities arising from trading activities	138 032	4 780	20 353	—	—	163 165	—	—	163 165
Investment portfolio	—	338 523	—	—	355 801	694 324	—	—	694 324
Loans and advances to customers	—	609 083	—	685 386	—	1 294 469	13 132 006	—	14 426 475
Other loans and advances	—	—	—	—	—	—	122 717	—	122 717
Other securitised assets	—	—	93 087	—	—	93 087	—	—	93 087
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	—	66 895	66 895
Deferred taxation assets	—	—	—	—	—	—	—	110 377	110 377
Current taxation assets	—	—	—	—	—	—	—	33 448	33 448
Other assets	9 606	17 478	—	—	—	27 084	823 227	289 128	1 139 439
Property and equipment	—	—	—	—	—	—	—	155 055	155 055
Goodwill	—	—	—	—	—	—	—	249 836	249 836
Software	—	—	—	—	—	—	—	7 066	7 066
Other acquired intangible assets	—	—		—	—	—	—	40 807	40 807
	930 660	**1 688 140**	**152 089**	**1 879 219**	**355 801**	**5 005 909**	**21 987 792**	**952 612**	**27 946 313**
Liabilities									
Deposits by banks	—	—	—	—	—	—	2 026 601	—	2 026 601
Derivative financial instruments	863 295	—	—	—	—	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)	—	—	—	—	—	—	18 293 891	—	18 293 891
Debt securities in issue	—	—	46 192	—	—	46 192	1 601 985	—	1 648 177
Liabilities arising on securitisation of other assets	—	—	95 885	—	—	95 885	—	—	95 885
Current taxation liabilities	—	—	—	—	—	—	—	2 460	2 460
Deferred taxation liabilities	—	—	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	813 958	565 369	1 379 327
	906 239	**—**	**142 077**	**—**	**—**	**1 048 316**	**22 891 263**	**567 829**	**24 507 408**
Subordinated liabilities	—	—	—	—	—	—	758 739	—	758 739
	906 239	**—**	**142 077**	**—**	**—**	**1 048 316**	**23 650 002**	**567 829**	**25 266 147**

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

For more information on hedges, please refer to note 51 on pages 168 to 169.

NOTES TO THE FINANCIAL STATEMENTS
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14. 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 2021 **£'000**	Trading*	Non-trading*	Designated at initial recognition	Debt instrument with dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Assets									
Cash and balances at central banks	—	—	—	—	—	—	3 043 034	—	3 043 034
Loans and advances to banks	—	—	—	—	—	—	1 385 471	—	1 385 471
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	495 623	—	698 961
Derivative financial instruments	773 333	—	—	—	—	773 333	—	—	773 333
Securities arising from trading activities	253 932	5 160	22 553	—	—	281 645	—	—	281 645
Investment portfolio	—	355 974	—	—	358 341	714 315	—	—	714 315
Loans and advances to customers	—	511 604	—	534 059	—	1 045 663	11 290 174	—	12 335 837
Other loans and advances	—	—	—	—	—	—	123 536	—	123 536
Other securitised assets	—	—	107 259	—	—	107 259	—	—	107 259
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	—	58 658	58 658
Deferred taxation assets	—	—	—	—	—	—	—	110 750	110 750
Current taxation assets	—	—	—	—	—	—	—	58 174	58 174
Other assets	6 857	22 145	—	—	—	29 002	953 408	410 186	1 392 596
Property and equipment	—	—	—	—	—	—	—	185 502	185 502
Goodwill	—	—	—	—	—	—	—	249 836	249 836
Software	—	—	—	—	—	—	—	7 791	7 791
Other acquired intangible assets	—	—		—	—		—	53 281	53 281
	1 072 812	**1 651 933**	**249 526**	**1 649 418**	**358 341**	**4 982 030**	**18 685 300**	**1 134 178**	**24 801 508**
Liabilities									
Deposits by banks	—	—	294	—	—	294	1 352 287	—	1 352 581
Derivative financial instruments	914 862	—	—	—	—	914 862	—	—	914 862
Other trading liabilities	49 055	—	—	—	—	49 055	—	—	49 055
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	—	157 357	—	157 357
Customer accounts (deposits)	—	—	—	—	—	—	16 077 671	—	16 077 671
Debt securities in issue	—	—	118 690	—	—	118 690	1 483 894	—	1 602 584
Liabilities arising on securitisation of other assets	—	—	108 281	—	—	108 281	—	—	108 281
Current taxation liabilities	—	—	—	—	—	—	—	36 862	36 862
Deferred taxation liabilities	—	—	—	—	—	—	—	19 984	19 984
Other liabilities	—	—	—	—	—	—	618 551	585 781	1 204 332
	963 918	**—**	**227 265**	**—**	**—**	**1 191 183**	**19 689 760**	**642 627**	**21 523 570**
Subordinated liabilities	—	—	334 804	—	—	334 804	436 677	—	771 481
	963 918	**—**	**562 069**	**—**	**—**	**1 525 987**	**20 126 437**	**642 627**	**22 295 051**

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

For more information on hedges, please refer to note 51 on pages 168 to 169.

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15. Fair value hierarchy

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

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

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

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

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

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

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

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15. Fair value hierarchy (continued)

		Fair value category		
At 31 March 2021 £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
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	773 333	19	746 509	26 805
Securities arising from trading activities	281 645	275 526	959	5 160
Investment portfolio	714 315	367 490	4 841	341 984
Loans and advances to customers*	1 045 663	—	—	1 045 663
Other securitised assets	107 259	—	—	107 259
Other assets	29 002	29 002	—	—
	4 982 030	**1 824 071**	**1 527 684**	**1 630 275**
Liabilities				
Deposits by banks	294	—	—	294
Derivative financial instruments	914 863	—	887 123	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	—	—
	1 525 987	**373 203**	**1 016 469**	**136 315**
Net assets at fair value	**3 456 043**	**1 450 868**	**511 215**	**1 493 960**

* 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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15. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Assets					
Balance as at 1 April 2020	**344 542**	**1 067 376**	**106 218**	**178 840**	**1 696 976**
Total gains or (losses)	1 065	21 988	8 732	11 787	43 572
In the income statement	1 065	24 180	8 732	11 787	45 764
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	50 023	945 556	—	9 054	1 004 633
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	(8 702)	(54 193)	—	(13 606)	(76 501)
Balance as at 31 March 2021	**341 984**	**1 045 663**	**107 259**	**135 369**	**1 630 275**
Total gains or (losses)	22 945	63 202	(657)	19 577	105 067
In the income statement	22 945	63 768	(657)	19 577	105 633
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	33 602	1 845 044	—	59 165	1 937 811
Sales	(66 682)	(1 079 005)	—	(19 783)	(1 165 470)
Settlements	(8 498)	(695 450)	(13 515)	(49 392)	(766 855)
Transfers into level 3	621	—	—	—	621
Foreign exchange adjustments	5 964	32 394	—	8 825	47 183
Balance as at 31 March 2022	**329 936**	**1 211 848**	**93 087**	**153 761**	**1 788 632**

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

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

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.

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15. Fair value hierarchy (continued)

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 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.

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
2022			
Total gains or (losses) included in the income statement for the year			
Net interest income	66 069	58 038	8 031
Investment income*	27 830	52 666	(24 836)
Trading income/(loss) arising from customer flow	(2 320)	(491)	(1 829)
	91 579	**110 213**	**(18 634)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	**440**	**(566)**
2021			
Total gains or (losses) included in the income statement for the year			
Net interest income	62 651	52 093	10 558
Investment income*	(24 884)	2 151	(27 035)
Trading income/(loss) arising from customer flow	(2 389)	428	(2 817)
	35 378	**54 672**	**(19 294)**
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	(1 031)	(1 031)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 223)	**(1 031)**	**(2 192)**

* Included within the investment income statement balance are unrealised gains of £0.7 million (31 March 2021: unrealised gains of £10.3 million) presented within operational items in the income statement.

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15. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the Group's principal valuation techniques as at 31 March 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 quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model and net asset value model	Discount rate and 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

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15. Fair value hierarchy (continued)

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

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

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

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

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

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

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15. 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
Assets					
Other debt securities	103 404	Potential impact on income statement		3 789	(10 320)
		Credit spreads	0.4%-3.3%	107	(198)
		Discount rate	CPR 4.4%	7	(7)
		Other	^	3 675	(10 115)
Derivative financial instruments	26 805	Potential impact on income statement		5 232	(6 226)
		Volatilities	5.4%-21.4%	51	(148)
		Cash flow adjustments	CPR 4.4%	9	(9)
		Underlying asset value	^^	4 724	(4 724)
		Other	^	448	(1 345)
Securities arising from trading activities	5 160	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	1 310	(1 686)
Investment portfolio	341 984	Potential impact on income statement		36 304	(99 921)
		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	^	26 004	(76 665)
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	**1 630 275**			**79 209**	**(173 129)**
Liabilities					
Deposits by banks	294	Potential impact on income statement			
		Underlying asset value	^^	—	44
Derivative financial instruments	27 740	Potential impact on income statement		(4 750)	4 800
		Volatilities	5.4%-21.1%	(26)	76
		Underlying asset value	^^	(4 724)	4 724
Liabilities arising on securitisation of other assets*	108 281	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	(213)	240
Total level 3 liabilities	**136 315**			**(4 963)**	**5 084**
Net level 3 assets	**1 493 960**				

* 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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15. Fair value hierarchy (continued)

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

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

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

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

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

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

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

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16. Fair value of financial instruments at amortised cost

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

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

At 31 March 2021 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets							
Cash and balances at central banks	3 043 034	3 043 034	—	—	—	—	—
Loans and advances to banks	1 385 471	1 379 951	5 520	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	495 623	62 243	433 380	434 995	7 628	420 432	6 935
Loans and advances to customers	11 290 174	664 065	10 626 109	10 614 861	—	969 764	9 645 097
Other loans and advances	123 536	61 320	62 216	62 916	—	62 916	—
Other assets	953 408	953 135	273	256	—	—	256
	18 685 300	**7 286 439**	**11 398 861**	**11 390 494**			
Liabilities							
Deposits by banks	1 352 287	241 347	1 110 940	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)	16 077 671	9 906 828	6 170 843	6 213 235	—	6 213 235	—
Debt securities in issue	1 483 894	273 968	1 209 926	1 235 967	432 052	803 915	—
Other liabilities	618 551	614 289	4 262	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	20 126 437	**11 146 068**	**8 980 369**	**9 075 850**			

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

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

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

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

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

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

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17. Designated at fair value

		Fair value adjustment		Change in fair value attributable to credit risk*		
At 31 March £'000	**Carrying value**	**Current**	**Cumulative**	**Current**	**Cumulative**	**Maximum exposure to credit risk**
Assets						
2022						
Reverse repurchase agreements and cash collateral on securities borrowed	38 649	89	284	—	—	—
Securities arising from trading activities	20 353	379	50	6	95	20 353
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	**(328)**	**2 356**	**4 334**	**(4 553)**	**129 812**

			Fair value adjustment		Change in fair value attributable to credit risk*	
At 31 March £'000	**Carrying value**	**Remaining contractual amount to be repaid at maturity**	**Current**	**Cumulative**	**Current**	**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	**143 978**	**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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18. Cash and balances at central banks

At 31 March £'000	2022	2021
Gross cash and balances at central banks	5 379 994	3 043 034
Expected credit loss	—	—
Net cash and balances at central banks	**5 379 994**	**3 043 034**
The country risk of cash and bank balances at central banks lies in the following geographies:		
United Kingdom	5 326 540	2 993 129
Europe (excluding UK)	53 454	49 905
	5 379 994	**3 043 034**

19. Loans and advances to banks

At 31 March £'000	2022	2021
Gross loans and advances to banks	1 467 863	1 385 604
Expected credit loss	(93)	(133)
Net loans and advances to banks	**1 467 770**	**1 385 471**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	10 543	13 320
United Kingdom	555 881	567 938
Europe (excluding UK)	706 940	538 916
Australia	41 096	103 335
North America	143 856	138 923
Asia	9 086	22 947
Other	368	92
	1 467 770	**1 385 471**

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

At 31 March £'000	2022	2021
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 447 485	2 065 249
Expected credit loss	(12)	(17)
Net reverse repurchase agreements and cash collateral on securities borrowed	**1 447 473**	**2 065 232**
Reverse repurchase agreements	1 408 503	2 039 402
Cash collateral on securities borrowed	38 970	25 830
	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
Cash collateral on securities lent	25 736	37 425
	154 828	**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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21. Sovereign debt securities

At 31 March £'000	2022	2021
Gross sovereign debt securities	1 165 777	1 108 253
Expected credit loss	—	—
Net sovereign debt securities	**1 165 777**	**1 108 253**
The country risk of sovereign debt securities lies in the following geographies:		
United Kingdom	378 941	359 523
Europe (excluding UK)*	93 004	66 547
North America	693 832	632 265
Australia	—	49 918
	1 165 777	**1 108 253**

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

22. Bank debt securities

At 31 March £'000	2022	2021
Gross bank debt securities	61 714	48 044
Expected credit loss	—	—
Net bank debt securities	**61 714**	**48 044**
Bonds	57 844	48 044
Floating rate notes	3 870	—
	61 714	**48 044**
The country risk of bank debt securities lies in the following geographies:		
United Kingdom	46 622	38 929
Europe (excluding UK)	15 092	9 115
	61 714	**48 044**

23. Other debt securities

At 31 March £'000	2022	2021
Gross other debt securities	432 980	700 319
Expected credit loss	(5 219)	(1 358)
Net other debt securities	**427 761**	**698 961**
Bonds	119 766	190 679
Asset-backed securities	307 995	508 282
	427 761	**698 961**
The country risk of other debt securities lies in the following geographies:		
United Kingdom	104 452	259 961
Europe (excluding UK)	67 666	71 891
North America	207 392	326 244
Asia	48 251	40 865
	427 761	**698 961**

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24. Derivative financial instruments

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

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

	2022			2021		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	16 862 873	157 697	137 754	17 113 315	299 744	207 446
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**	**360 958**	**261 939**
Interest rate derivatives						
Caps and floors	9 424 942	65 094	57 797	8 878 148	19 155	13 058
Swaps	40 601 552	28 534	81 495	37 046 882	180 641	57 799
OTC derivatives	**50 026 494**	**93 628**	**139 292**	**45 925 030**	**199 796**	**70 857**
Exchange traded futures	—	—	—	228 292	—	—
	50 026 494	**93 628**	**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		**693 133**	**863 295**		**773 333**	**914 863**

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25. Securities arising from trading activities

At 31 March £'000	**2022**	2021
Asset-backed securities	4 780	5 160
Bonds	17 936	22 631
Government securities	2 811	4 101
Listed equities	137 638	249 753
	163 165	**281 645**

26. Investment portfolio

At 31 March £'000	**2022**	2021
Listed equities	357 838	368 352
Unlisted equities*	336 486	345 963
	694 324	**714 315**

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

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

At 31 March £'000	**2022**	2021
Gross loans and advances to customers at amortised cost	13 262 811	11 454 547
Gross loans and advances to customers at FVOCI^	685 386	534 059
Gross loans and advances to customers subject to expected credit losses	**13 948 197**	**11 988 606**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(130 805)	(164 373)
Net loans and advances to customers at amortised cost and FVOCI^	**13 817 392**	**11 824 233**
Loans and advances to customers at fair value through profit and loss	609 083	511 604
Net loans and advances to customers	**14 426 475**	**12 335 837**
Gross other loans and advances	122 736	123 580
Expected credit losses on other loans and advances	(19)	(44)
Net other loans and advances	**122 717**	**123 536**

^ 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 38 to 43 in the risk management section.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

At 31 March £'000	2022
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	
Balance as at 1 April 2020	**173 389**
Charge to the income statement	61 668
Reversals and recoveries recognised in the income statement	(41)
Write-offs	(71 317)
Exchange adjustments	674
Balance as at 31 March 2021	**164 373**
Charge to the income statement	24 204
Reversals and recoveries recognised in the income statement	(369)
Write-offs	(58 647)
Exchange adjustments	1 244
Balance as at 31 March 2022	**130 805**
Expected credit loss of other loans and advances	
Balance as at 1 April 2020	**62**
Release to the income statement	(53)
Exchange adjustments	35
Balance as at 31 March 2021	**44**
Charge to the income statement	19
Exchange adjustments	(44)
Balance as at 31 March 2022	**19**

^ 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.

NOTES TO THE FINANCIAL STATEMENTS
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28. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2022	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
Total other securitised assets	**93 087**	**107 259**
The associated liabilities are recorded on-balance sheet in the following line items:		
Liabilities arising on securitisation of other assets	**95 885**	**108 281**

29. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2022	2021
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	61 140	58 519
Goodwill	5 755	139
Investment in associated undertakings and joint venture holdings	**66 895**	**58 658**
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	58 519	54 252
Exchange adjustments	135	635
Acquisitions	3 493	—
Share of post-taxation profits of associates and joint venture holdings^	14 164	11 128
Dividends received	(15 171)	(7 496)
At the end of the year	**61 140**	**58 519**
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.

NOTES TO THE FINANCIAL STATEMENTS
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30. Deferred taxation

At 31 March £'000	2022	2021
Deferred taxation assets	110 377	110 750
Deferred taxation liabilities	—	(19 984)
Net deferred taxation assets	**110 377**	**90 766**
The net deferred taxation assets arise from:		
Deferred capital allowances	48 634	40 264
Income and expenditure accruals	2 212	30
Asset in respect of unexpired options	28 342	11 320
Unrealised fair value adjustments on financial instruments	31 033	36 261
Losses carried forward	8 166	12 286
Asset in respect of pension deficit	383	—
Deferred tax on acquired intangibles	(8 393)	(9 710)
Other temporary differences	—	315
Net deferred taxation assets	**110 377**	**90 766**
Reconciliation of net deferred taxation assets		
At the beginning of the year	**90 766**	**109 219**
Release/(charge) to income statement – current year taxation	23 622	(17 227)
Movement directly in other comprehensive income	(3 677)	(3 136)
Arising on acquisitions/disposals	(463)	(300)
Exchange adjustments	129	2 210
At the end of the year	**110 377**	**90 766**

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 £90.7 million (2021: £68.9 million), capital losses carried forward of £167.3 million (2021: £177.2 million) and excess management expenses of £2.5 million (2021: £2.5 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

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.

31. Other assets

At 31 March £'000	2022	2021
Gross other assets	1 139 439	1 392 596
Expected credit loss	—	—
Net other assets	**1 139 439**	**1 392 596**
Settlement debtors	736 688	865 283
Trading properties	4 287	24 758
Prepayments and accruals	55 635	67 566
Trading initial margin	9 606	6 857
Finance lease receivables	223 902	252 797
Other	109 321	175 335
	1 139 439	**1 392 596**

NOTES TO THE FINANCIAL STATEMENTS
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32. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
2022							
Cost							
At the beginning of the year	36	141 376	81 830	7 421	26 158	5 721	262 542
Exchange adjustments	—	215	632	8	(1)	—	854
Additions	—	4 653	930	32	1 434	5	7 054
Disposals	—	(6 514)	(5 990)	(399)	(4 084)	(2 260)	(19 247)
At the end of the year	**36**	**139 730**	**77 402**	**7 062**	**23 507**	**3 466**	**251 203**
Accumulated depreciation							
At the beginning of the year	(36)	(29 319)	(22 022)	(3 354)	(17 114)	(5 195)	(77 040)
Exchange adjustments	—	(109)	(9)	(8)	(4)	—	(130)
Disposals	—	1 869	2 233	289	3 785	2 178	10 354
Depreciation and impairment charge for the year	—	(17 650)	(6 489)	(566)	(4 423)	(204)	(29 332)
At the end of the year	**(36)**	**(45 209)**	**(26 287)**	**(3 639)**	**(17 756)**	**(3 221)**	**(96 148)**
Net carrying value	**—**	**94 521**	**51 115**	**3 423**	**5 751**	**245**	**155 055**
2021							
Cost							
At the beginning of the year	36	144 893	92 997	7 534	26 709	7 210	279 379
Exchange adjustments	—	(475)	(2 794)	45	(28)	(113)	(3 365)
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**	**81 830**	**7 421**	**26 158**	**5 721**	**262 542**
Accumulated depreciation							
At the beginning of the year	(36)	(16 946)	(23 310)	(2 875)	(13 252)	(6 005)	(62 424)
Exchange adjustments	—	612	(392)	(84)	(11)	77	202
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)**	**(29 319)**	**(22 022)**	**(3 354)**	**(17 114)**	**(5 195)**	**(77 040)**
Net carrying value	**—**	**112 057**	**59 808**	**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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33. Goodwill

At 31 March £'000	2022	2021
Cost		
At the beginning of the year	289 969	290 117
Disposal of subsidiaries	(9 775)	(148)
At the end of the year	**280 194**	**289 969**
Accumulated impairments		
At the beginning of the year	(40 133)	(28 934)
Impairments	—	(11 248)
Disposal of subsidiaries	9 775	—
Exchange adjustments	—	49
At the end of the year	**(30 358)**	**(40 133)**
Net carrying value	**249 836**	**249 836**
Analysis of goodwill by line of business:		
Wealth & Investment	236 319	236 319
Specialist Banking	13 517	13 517
Total Group	**249 836**	**249 836**

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

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

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

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

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Specialist Banking, the goodwill of £13.5 million is made up of a number of individual cash-generating units within the line of business. These cash-generating units are assessed for impairment considering current performance and budgets. 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 £11.2 million in relation to Investec Ireland was written off as a result of the change in business following the Brexit impact and, as such, there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

NOTES TO THE FINANCIAL STATEMENTS
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34. Software and other acquired intangible assets

	Software			Other acquired intangible assets		
At 31 March £'000	Acquired software	Internally generated software	Total	Client relationships*	Total	**Total**
2022						
Cost						
At the beginning of the year	28 266	1 702	29 968	186 267	186 267	216 235
Exchange adjustments	188	—	188	—	—	188
Additions	669	1 402	2 071	462	462	2 533
Disposals	(323)	—	(323)	—	—	(323)
At the end of the year	**28 800**	**3 104**	**31 904**	**186 729**	**186 729**	**218 633**
Accumulated amortisation and impairments						
At the beginning of the year	(22 177)	—	(22 177)	(132 986)	(132 986)	(155 163)
Exchange adjustments	(145)	—	(145)	—	—	(145)
Disposals	298	—	298	—	—	298
Amortisation	(2 297)	(517)	(2 814)	(12 936)	(12 936)	(15 750)
At the end of the year	**(24 321)**	**(517)**	**(24 838)**	**(145 922)**	**(145 922)**	**(170 760)**
Net carrying value	**4 479**	**2 587**	**7 066**	**40 807**	**40 807**	**47 873**
2021						
Cost						
At the beginning of the year	29 133	—	29 133	187 558	187 558	216 691
Exchange adjustments	(221)	—	(221)	80	80	(141)
Additions	1 541	1 702	3 243	2 021	2 021	5 264
Disposals	(2 187)	—	(2 187)	(3 392)	(3 392)	(5 579)
At the end of the year	**28 266**	**1 702**	**29 968**	**186 267**	**186 267**	**216 235**
Accumulated amortisation and impairments						
At the beginning of the year	(21 989)	—	(21 989)	(122 748)	(122 748)	(144 737)
Exchange adjustments	208	—	208	96	96	304
Disposals	2 182	—	2 182	2 517	2 517	4 699
Amortisation	(2 578)	—	(2 578)	(12 851)	(12 851)	(15 429)
At the end of the year	**(22 177)**	**—**	**(22 177)**	**(132 986)**	**(132 986)**	**(155 163)**
Net carrying value	**6 089**	**1 702**	**7 791**	**53 281**	**53 281**	**61 072**

* Client relationships are acquired intangibles.

35. Acquisitions and disposals

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.

NOTES TO THE FINANCIAL STATEMENTS
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36. Other trading liabilities

At 31 March £'000	2022	2021
Short positions		
– Equities	42 944	38 399
– Bank debt securities	—	10 656
	42 944	**49 055**

37. Debt securities in issue

At 31 March £'000	2022	2021
Repayable in:		
Less than three months	210 729	45 890
Three months to one year	71 796	25 851
One to five years	1 022 555	1 490 054
Greater than five years	343 097	40 789
	1 648 177	**1 602 584**

38. Other liabilities

At 31 March £'000	2022	2021
Settlement liabilities	612 767	387 733
Other creditors and accruals	312 053	290 897
Lease liabilities	344 802	387 165
Other non-interest bearing liabilities	101 326	129 716
Expected credit losses on off-balance sheet commitments and guarantees	8 379	8 821
	1 379 327	**1 204 332**

The maturity analysis of the lease liabilities is shown below:

	2022		2021	
At 31 March £'000	Undiscounted lease payments	Present value	Undiscounted lease payments	Present value
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	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**

Reconciliation from opening balance to closing balance

At 31 March £'000	2022
Balance as at 1 April 2020	**478 558**
Interest on lease liabilities	12 863
New leases	5 230
Disposals	(15 882)
Repayment of lease liabilities	(66 316)
Remeasurement of lease liabilities	630
Exchange adjustments	(27 918)
Balance as at 31 March 2021	**387 165**
Interest on lease liabilities	11 120
New leases	2 665
Disposals	(11 812)
Repayment of lease liabilities	(54 374)
Remeasurement of lease liabilities	(281)
Exchange adjustments	10 319
Balance as at 31 March 2022	**344 802**

NOTES TO THE FINANCIAL STATEMENTS
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39. Subordinated liabilities

At 31 March £'000	2022	2021
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes – FVPL	—	334 804
Subordinated fixed rate re-set callable medium-term notes – amortised cost	427 019	436 677
Issued by Investec plc		
Subordinated fixed rate re-set callable medium-term notes – amortised cost	331 720	—
	758 739	**771 481**
Remaining maturities:		
In one year or less, or on demand	—	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	**771 481**
Reconciliation from opening balance to closing balance		
At the beginning of the year	**771 481**	**787 030**
New issue	347 536	—
Redemption	(307 962)	—
Fair value movement	(23 269)	(8 429)
Accrual of interest	48 505	47 405
Repayment of interest	(49 807)	(47 491)
Hedge accounting/amortisation of discount	(27 745)	(7 034)
At the end of the year	**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 of 24 July 2023 subject to conditions.

Subordinated callable fixed rate resettable medium-term notes (denominated in Pound Sterling) – accounted for at amortised cost

On 4 October 2021, Investec plc issued £350 000 000 of 2.625% subordinated notes due 2032 at a discount (2032 notes). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 4 January 2032. The issuer may redeem the notes at par on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

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40. Ordinary share capital

At 31 March £'000	2022	2021
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	696 082 618	696 082 618
Issued during the year	—	—
At the end of the year	**696 082 618**	**696 082 618**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	138	138
Issued during the year	—	—
At the end of the year	**138**	**138**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	318 904 709	318 904 709
Issued during the year	—	—
At the end of the year	**318 904 709**	**318 904 709**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	64	64
Issued during the year	—	—
At the end of the year	**64**	**64**
Number of UK DAN shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of UK DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of UK DAS shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of UK DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of special voting shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of special voting shares	**£'000**	**£'000**
At the beginning and end of the year	*	*

* Less than £1 000.

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40. Ordinary share capital (continued)

Staff share scheme

The Group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 8.

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

At 31 March Number of shares	2022	2021
Opening balance	22 431 650	20 742 278
Sale of business	(94 076)	—
Issued during the year	14 657 836	8 455 609
Exercised	(5 595 039)	(5 649 509)
Lapsed	(1 810 130)	(1 116 728)
Closing balance	**29 590 241**	**22 431 650**

The purpose of the staff share scheme is to promote an esprit de corps within the organisation, create an awareness of Investec Group's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Group.

The Group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time, depending on taxation legislation and factors affecting the Group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the Group's share price.

At present, the practice of the Group is to grant all permanent staff members a share allocation, based on their annual package, after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from three to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of Group management and depending on the individual performance and contribution made by the respective staff members.

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41. Perpetual preference shares

At 31 March £'000	2022	2021
Perpetual preference share capital	29	29
Perpetual preference share premium	24 765	24 765
	24 794	**24 794**
Issued by Investec plc		
2 754 587 (2021: 2 754 587) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Perpetual preference share capital	29	29
– Perpetual preference share premium	23 607	23 607
Perpetual preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc – Rand-denominated		
131 447 (2021: 131 447) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at an average premium of ZAR99.999 per share.		
– Perpetual preference share capital	*	*
– Perpetual preference share premium	1 158	1 158
Rand-denominated perpetual preference shareholders will receive a dividend if declared, based on the coupon rate (being equivalent to South African prime rate multiplied by 95%), multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand-denominated perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		

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42. Ordinary share premium

At 31 March £'000	2022	2021
Share premium account	**806 812**	**806 812**

43. Treasury shares

At 31 March £'000	2022	2021
Treasury shares held by subsidiaries of Investec plc	**161 522**	**134 185**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	48 997 877	41 576 257
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	41 576 257	31 744 014
Purchase of own shares by subsidiary companies	15 730 542	17 339 892
Shares disposed of by subsidiaries	(8 308 922)	(7 507 649)
At the end of the year	**48 997 877**	**41 576 257**
Market value of treasury shares	**£'000**	**£'000**
Investec plc	246 753	91 135
	246 753	**91 135**

44. Other Additional Tier 1 securities in issue

At 31 March £'000	2022	2021
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**

On 5 October 2017, Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment day, the Company can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate of 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the investors will lose their entire investment in the securities should the CET1 capital ratio of the Investec plc Group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of the Company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

45. Non-controlling interests

At 31 March £'000	2022	2021
Non-controlling interests in partially held subsidiaries	**833**	**390**

NOTES TO THE FINANCIAL STATEMENTS
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46. Finance lease disclosures

At 31 March £'000	2022 Total future minimum payments	2022 Present value	2021 Total future minimum payments	2021 Present value
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
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**	

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Notes to the cash flow statement

At 31 March £'000	2022	2021
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:		
Profit before taxation	271 788	92 125
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	—	11 248
Amortisation of acquired intangibles	12 936	12 851
Net loss/(gain) on disposal of subsidiaries	632	(32 936)
Depreciation of operating lease assets	204	663
Depreciation and impairment of property, equipment, software and other intangibles	31 939	32 760
Expected credit loss impairment charges	25 159	71 196
Share of post-taxation profit of associates and joint venture holdings	(13 878)	(10 829)
Dividends received from associates and joint venture holdings	15 171	7 496
Share-based payments and employee benefit liability recognised	23 664	22 309
Profit before taxation adjusted for non-cash items	**367 615**	**206 883**
(Increase)/decrease in operating assets		
Loans and advances to banks	53 095	28 378
Reverse repurchase agreements and cash collateral on securities borrowed	617 764	393 577
Sovereign debt securities	(57 522)	(23 235)
Bank debt securities	(13 675)	3 189
Other debt securities	267 341	(13 633)
Derivative financial instruments	80 312	477 402
Securities arising from trading activities	118 480	(25 000)
Investment portfolio	40 489	36 356
Loans and advances to customers	(2 088 959)	(529 319)
Other loans and advances	800	68 447
Securitised assets	14 172	(1 041)
Other assets	217 997	27 079
Goodwill	—	148
	(749 706)	**442 348**
Increase/(decrease) in operating liabilities		
Deposits by banks	674 020	(65 690)
Derivative financial instruments	(51 568)	(231 886)
Other trading liabilities	(6 111)	(69 517)
Repurchase agreements and cash collateral on securities lent	(2 529)	(239 454)
Customer accounts	2 216 220	797 369
Debt securities in issue	45 593	134 714
Securitised liabilities	(12 396)	(2 398)
Other liabilities	171 988	(440 246)
	3 035 217	**(117 108)**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Commitments

At 31 March £'000	2022	2021
Undrawn facilities	1 956 967	1 804 646
Other commitments	45 528	60 212
	2 002 495	**1 864 858**

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	Carrying amount of pledged assets		Related liability	
£'000	2022	2021	2022	2021
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**

The assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS
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49. Contingent liabilities and legal matters

At 31 March £'000	2022	2021
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	464 110	398 809
	464 110	**398 809**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc and Investec Bank plc and its subsidiaries on behalf of third parties and other Group companies. The guarantees are issued as part of the banking business.

Support is provided by Investec plc to its subsidiaries where appropriate.

Financial Services Compensation Scheme
The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amount or timing of amount that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

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

Historical German dividend tax arbitrage transactions
Investec Bank plc has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor. Whilst no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor, a provision was previously raised to reflect the potential financial outflows that could arise as a result of this matter. In addition, subsequent to the year-end date, Investec Bank plc received certain enquiries in respect of client tax reclaims for the periods 2010-2011 relating to the historical German dividend arbitrage transactions from the German Federal Tax Office (FTO) in Bonn. The FTO has provided limited information and Investec Bank plc has sought further information and clarification. Given the lack of information, it is not possible for Investec Bank plc to reliably estimate the potential liability, if any, in relation to this matter.

Investec Bank plc is co-operating with the German authorities and continues to conduct its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences, including financial penalties.

In relation to potential civil claims; whilst Investec Bank plc is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, Investec Bank plc has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec Bank plc has itself served third party notices on various participants to these historic transactions in order to preserve statute of limitation on any potential future claims that Investec Bank plc may seek to bring against those parties, should Investec Bank plc incur any liability in the future. Investec Bank plc has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec Bank plc is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec Bank plc in future in relation to the relevant transactions.

The Group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure may be expected to seriously prejudice its outcome.

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50. Related party transactions

At 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 have been included in the section marked as audited in the Investec remuneration report 2022.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the Company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	8 946	7 765
Increase in loans	6 728	3 610
Decrease in loans*	(1 231)	(2 430)
Exchange adjustments	—	1
At the end of the year	**14 443**	**8 946**
Guarantees		
At the beginning of the year	1 951	592
Additional guarantees granted	4	1 545
Decrease in guarantees*	(1 877)	(187)
Exchange adjustments	—	1
At the end of the year	**78**	**1 951**
Deposits		
At the beginning of the year	(14 231)	(11 988)
Increase in deposits	(3 906)	(10 549)
Decrease in deposits*	5 235	8 307
Exchange adjustments		(1)
At the end of the year	**(12 902)**	**(14 231)**

* 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
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50. Related party transactions (continued)

	Investec Limited and subsidiaries	
At 31 March **£'000**	**2022**	2021
Balances with other related parties		
Assets		
Loans and advances to banks	8 179	11 318
Derivative financial instruments	158	833
Other assets	7 694	4 163
Liabilities		
Deposits by banks	3 921	31 906
Derivative financial instruments	3 373	8 862
Customer accounts (deposits)	7 848	7 358
Debt securities in issue	—	29 133
Repurchase agreements and cash collateral on securities lent	16 331	18 342
Other liabilities	10 458	5 047

During the year to 31 March 2022, interest of £0.3 million (2021: £1.5 million) was paid to entities in the Investec Limited Group. Interest of £110 000 (2021: £90 000) was received from Investec Limited Group.

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2022, this resulted in a net payment to Investec Limited Group of £15.2 million (2021: £13.2 million).

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 Investec plc, and is a current director of Grovepoint (UK) Limited.

The Group has an investment in Grovepoint (UK) Limited in which a previous Investec director has significant influence. The Group has made an investment of £55.5 million (2021: £54.4 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During the year to 31 March 2022, the Investec Group 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 and a £29 000 debtor (2021: £37 000) for IFRS 2 recharges in relation to the share scheme.

In addition, a lease guarantee of £8 025 000 (2021: £8 025 000) has been provided by Investec plc on behalf of Ninety One, with income of £531 000 received during the year (2021: £546 000).

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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51. Hedges

The Group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted, Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the Group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the Group.

Fair value hedges
Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	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
2022							
Assets	Interest rate swap	3 439 311	93 874	99 731	119 195	(97 852)	(118 836)
Liabilities	Interest rate swap	2 455 015	(66 619)	(66 619)	(66 952)	66 460	66 764
		5 894 326	**27 255**	**33 112**	**52 243**	**(31 392)**	**(52 072)**
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.

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 hedged item 2022	2021
Hedged items		
Assets		
Sovereign debt securities	64 816	78 841
Other debt securities	2 977	5 577
Loans and advances to customers	3 250 658	2 600 554
Other assets	116 704	141 426
Liabilities		
Debt securities in issue	1 094 388	358 353
Customer accounts (deposits)	951 517	43 077
Subordinated liabilities	331 753	—

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51. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	**70 000**
Other debt securities	—	—	—	—	2 992	—	**2 992**
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	**3 251 288**
Other assets	2 496	5 001	7 564	15 383	86 260	—	**116 704**
Liabilities – notionals							
Debt securities in issue	—	200 000	—	13 857	585 623	350 000	**1 149 480**
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	**955 534**
Subordinated liabilities	—	—	—	—	350 000	—	**350 000**
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	89 285
Other debt securities	—	—	—	1 770	22 702	—	24 472
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

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
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
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52. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2022								
Liabilities								
Deposits by banks	368 416	2 413	—	4 858	16 686	1 734 261	—	2 126 634
Derivative financial instruments	170 207	37 722	138 148	83 427	203 310	228 740	1 945	863 499
Derivative financial instruments – held for trading	129 465	—	—	—	—	—	—	129 465
Derivative financial instruments – held for hedging risk	40 742	37 722	138 148	83 427	203 310	228 740	1 945	734 034
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	—	—	—	51 099	—	154 828
Customer accounts (deposits)	7 940 372	614 090	3 506 209	3 303 112	1 991 948	970 828	18 146	18 344 705
Debt securities in issue	—	9 092	224 871	62 234	61 870	1 062 749	365 229	1 786 045
Liabilities arising on securitisation of other assets	—	—	3 459	3 322	6 632	43 125	62 856	119 394
Other liabilities*	88 904	672 175	171 588	33 958	82 254	315 341	50 278	1 414 498
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**8 652 935**	**1 397 129**	**4 044 275**	**3 508 761**	**2 371 888**	**4 514 293**	**1 350 092**	**25 839 373**
Contingent liabilities	928	620	63 985	4 038	78 428	222 312	93 799	464 110
Commitments	170 177	116 393	73 050	108 002	202 980	1 084 019	378 336	2 132 957
Total liabilities	**8 824 040**	**1 514 142**	**4 181 310**	**3 620 801**	**2 653 296**	**5 820 624**	**1 822 227**	**28 436 440**

* Included within other liabilities are £565 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 55 to 57.

NOTES TO THE FINANCIAL STATEMENTS
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52. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2021								
Liabilities								
Deposits by banks	253 926	51 025	1 318	2 439	718 396	366 502	—	1 393 606
Derivative financial instruments	452 040	56 987	60 624	59 000	96 280	216 676	15 405	957 012
Derivative financial instruments – held for trading	195 988	—	—	—	—	—	—	195 988
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)	6 200 464	870 372	2 770 063	3 282 642	1 153 109	1 753 692	118 975	16 149 317
Debt securities in issue	30 327	8 448	76 692	58 254	101 089	1 350 309	30 620	1 655 739
Liabilities arising on securitisation of other assets	—	—	2 348	2 178	4 256	31 307	85 503	125 592
Other liabilities*	115 502	465 134	79 004	83 494	112 017	319 449	63 198	1 237 798
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on-balance sheet liabilities	**7 157 081**	**1 505 835**	**2 990 049**	**3 505 857**	**2 570 471**	**4 109 335**	**787 251**	**22 625 879**
Contingent liabilities	1 206	6 644	901	9 090	28 798	249 522	102 651	398 812
Commitments	138 360	145 179	23 633	40 096	145 149	1 061 267	463 860	2 017 544
Total liabilities	**7 296 647**	**1 657 658**	**3 014 583**	**3 555 043**	**2 744 418**	**5 420 124**	**1 353 762**	**25 042 235**

* Included within other liabilities are £586 million of non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
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53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2022	Interest 2021
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance PLC	Leasing	England and Wales	100%	100%
Investec Bank plc	Investment holding	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution and wealth manager	Switzerland	100%	100%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Holdings Australia Pty Limited	Holding company	Australia	100%	100%
Investec Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Europe Limited	MiFiD Firm	Ireland	100%	100%
Investec Securities (US) LLC	Financial services	USA	100%	100%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100%	100%
Reichmans Geneva SA	Trading company	Switzerland	100%	100%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 29.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note j to the Investec plc company accounts on pages 183 to 187.

Consolidated structured entities
Investec plc has no equity interest in the following structured entities, which are consolidated. Typically, a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the Group has control over these structures include assessing the purpose and design of the entity and considering whether the Group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Cavern Funding 2020 Plc	Securitised auto receivables
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation, refer to note 28.

Details of the risks to which the Group is exposed through all of its securitisations are included in the risk management report on page 49.

NOTES TO THE FINANCIAL STATEMENTS
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53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc (continued)

The key assumptions for the main types of structured entities which the Group consolidates are summarised below:

Securitised residential mortgages
The Group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the Group's holdings of equity notes combined with its control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios
The Group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the Group's retention of equity notes and because it continues to act as the collateral manager. The Group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables
The Group has securitised portfolios of medium-term lease and hire purchase receivables. These structured entities are consolidated as the Group has retained the equity notes and control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations
The Group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds, where the Group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity like returns and ability to influence the strategic and financial decision-making.

The Group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the Group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £26 million (2021: £86 million).

Significant restrictions
As is typical for a large group of companies, there are restrictions on the ability of the Group to obtain distributions of capital, access the assets or repay the liabilities of members of the Group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the Group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank plc, Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG, which must maintain compliance with the regulatory minimum.

Capital management within the Group is discussed in the risk management report on pages 67 to 69.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits, and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets typically affected are disclosed in notes 20 and 56.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc (continued)

Structured associates
The Group has investments in a number of structured funds specialising in aircraft financing where the Group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the Group has significant influence over the fund and therefore the funds are treated as associates.

The Group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

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

At 31 March 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

At 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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

54. Unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate, but in which it holds an interest as originally set up. In making the assessment of whether to consolidate these structured entities, the Group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 104 to 115.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

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

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

At 31 March 2022 £'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

At 31 March 2021 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the Group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	193	Limited to the carrying value	—	Investment loss	(61)
Residential mortgage securitisations	Other loans and advances	627	Limited to the carrying value	1 583	Net interest expense	—

Financial support provided to the unconsolidated structured entities
There are no contractual agreements which require the Group to provide any additional financial or non-financial support to these structured entities.

During the year, the Group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring
The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

Interests in structured entities which the Group has not set up
Purchased securitisation positions
The Group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the Group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities, and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 49.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2022						
Assets						
Cash and balances at central banks	5 379 994	—	5 379 994	—	—	5 379 994
Loans and advances to banks	1 467 770	—	1 467 770	—	(45 950)	1 421 820
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	1 165 777	—	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	61 714	—	—	61 714
Other debt securities	427 761	—	427 761	—	—	427 761
Derivative financial instruments	693 133	—	693 133	(272 446)	(209 749)	210 938
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	694 324	—	694 324	—	—	694 324
Loans and advances to customers	14 426 475	—	14 426 475	—	—	14 426 475
Other loans and advances	122 717	—	122 717	—	(5 930)	116 787
Other securitised assets	93 087	—	93 087	—	—	93 087
Other assets	1 139 439	—	1 139 439	—	—	1 139 439
	27 282 829	**—**	**27 282 829**	**(408 530)**	**(277 167)**	**26 597 132**
Liabilities						
Deposits by banks	2 026 601	—	2 026 601	—	(215 054)	1 811 547
Derivative financial instruments	863 295	—	863 295	(298 340)	(47 482)	517 473
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	154 828	—	154 828	(25 761)	(4 348)	124 719
Customer accounts (deposits)	18 293 891	—	18 293 891	—	(10 233)	18 283 658
Debt securities in issue	1 648 177	—	1 648 177	(46 142)	(50)	1 601 985
Liabilities arising on securitisation of other assets	95 885	—	95 885	—	—	95 885
Other liabilities	1 379 327	—	1 379 327	—	—	1 379 327
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	25 263 687	**—**	**25 263 687**	**(408 530)**	**(277 167)**	**24 577 990**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2021						
Assets						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 385 471	—	1 385 471	—	(124 649)	1 260 822
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	698 961	—	698 961	—	—	698 961
Derivative financial instruments	773 333	—	773 333	(299 446)	(144 900)	328 987
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	714 315	—	714 315	—	—	714 315
Loans and advances to customers	12 335 837	—	12 335 837	—	—	12 335 837
Other loans and advances	123 536	—	123 536	—	(4 628)	118 908
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 392 596	—	1 392 596	—	—	1 392 596
	24 077 516	**—**	**24 077 516**	**(713 982)**	**(317 457)**	**23 046 077**
Liabilities						
Deposits by banks	1 352 581	—	1 352 581	—	(219 441)	1 133 140
Derivative financial instruments	914 863	—	914 863	(532 037)	(63 783)	319 043
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)	16 077 671	—	16 077 671	—	(29 335)	16 048 336
Debt securities in issue	1 602 584	—	1 602 584	(118 690)	(347)	1 483 547
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 204 332	—	1 204 332	—	—	1 204 332
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	22 238 205	**—**	**22 238 205**	**(713 982)**	**(317 457)**	**21 206 766**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

56. Derecognition

Transfer of financial assets that do not result in derecognition
The Group has been party to securitisation transactions whereby assets continue to be recognised on-balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2022		2021	
No derecognition achieved £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	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 refer to note 20.

57. Subsequent events

On 31 May 2022, Investec plc distributed 46.6 million Ninety One shares. The total value of the distribution was £106.5 million. Investec plc maintained a shareholding of 93.0 million Ninety One plc shares (14.94%) post the distribution. The remaining shareholding in Ninety One plc will be accounted for at fair value through other comprehensive income as before the distribution.

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

For subsequent events relating to contingent liabilities see note 49.

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Balance sheet

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

The notes on pages 181 and 187 form an integral part of the financial statements.

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

Fani Titi

Chief Executive

22 June 2022

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

Statement of changes in shareholders' equity

£'000	Ordinary share capital	Ordinary share premium	Capital reserve	Fair value reserve	Retained earnings	Ordinary shareholders' equity	Perpetual preference share capital and premium	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Total equity
At 31 March 2020	**202**	**806 812**	**180 606**	**37 515**	**1 159 109**	**2 184 244**	**24 794**	**2 209 038**	**250 000**	**2 459 038**
Total comprehensive income	—	—	—	99 283	16 119	115 402	—	115 402	—	115 402
Dividends paid to preference shareholders	—	—	—	—	(437)	(437)	—	(437)	—	(437)
Dividends paid to ordinary shareholders	—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	(18 007)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 880)	(16 880)
At 31 March 2021	**202**	**806 812**	**180 606**	**136 798**	**1 139 904**	**2 264 322**	**24 794**	**2 289 116**	**250 000**	**2 539 116**
Total comprehensive income	—	—	—	22 863	76 107	98 970	—	98 970	—	98 970
Dividends paid to preference shareholders	—	—	—	—	(347)	(347)	—	(347)	—	(347)
Dividends paid to ordinary shareholders	—	—	—	—	(63 316)	(63 316)	—	(63 316)	—	(63 316)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 880)	(16 880)
At 31 March 2022	**202**	**806 812**	**180 606**	**159 661**	**1 135 468**	**2 282 749**	**24 794**	**2 307 543**	**250 000**	**2 557 543**

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
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a. Basis of preparation

The parent accounts of Investec plc are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company is incorporated and domiciled in England and Wales and the Company's accounts are presented in Pound Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The Company has taken advantage of the following disclosure exemptions under FRS 101, where applicable to the Company:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q) (ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Investec plc in which the entity is consolidated
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment, (iii) paragraph 118(e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16, provided that the disclosures of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separated for lease liabilities and other liabilities, and in total
- The requirements of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources
- The requirements of paragraph 74A(b) of IAS 16.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in consolidated financial statements of the Group.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pound Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pound Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments in subsidiaries and interests in associated undertakings are stated at cost less any accumulated impairment in value.

Equity instruments measured at FVOCI

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

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

Income

Dividends from subsidiaries are recognised when received. Interest is recognised on an accrual basis.

Taxation

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

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

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date
- Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised
- Items recognised directly in other comprehensive income are net of related current and deferred taxation.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
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a. Basis of preparation (continued)

Company's own profit and loss account

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Financial assets

Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as amortised cost or fair value through profit and loss.

Financial liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

b. Investments in subsidiary undertakings

At 31 March £'000	2022	2021
At the beginning of the year	1 701 774	1 701 774
Additions	—	—
Disposals	—	—
At the end of the year	**1 701 774**	**1 701 774**

c. Securities issued by subsidiary undertaking

On 16 October 2017, the Company acquired £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) issued by Investec Bank plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the Company will lose their entire investment in the securities should the CET1 capital ratio of the Investec Bank plc Group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA. On 22 January 2019, the Company acquired a further £50 million of AT1 securities issued by Investec Bank plc.

On 4 October 2021, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 2.625% (2032 Loan). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The loan will mature on 4 January 2032. The borrower may prepay the loan in full on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

d. Debt securities in issue

On 5 May 2015, the Company issued £300 million 4.50% Senior Unsecured Notes from its European Medium Term Note programme (EMTN). The notes mature on 5 May 2022 and pay interest at a fixed rate annually in arrears. On 7 August 2017, the Company issued a further £100 million of the 4.5% Senior Unsecured Notes due 2022, at a premium of 108.479%, which has been consolidated with and form a single series with the existing notes.

e. Subordinated liabilities

On 4 October 2021, Investec plc issued £350 000 000 of 2.625% subordinated notes due 2032 at a discount (2032 Notes). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 4 January 2032. The issuer may redeem the notes at par on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

f. Audit fees

Details of the Company's audit fees are set out in note 7 of the Group financial statements.

g. Dividends

Details of the Company's dividends are set out in note 11 of the Group financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 40 of the Group financial statements. Details of the perpetual preference shares are set out in note 41 of the Group financial statements. Details of the Other Additional Tier 1 securities are set out in note 44 of the Group financial statements.

i. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the Investec Group's integrated annual report for the year ended 31 March 2022.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
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j. Subsidiaries

At 31 March 2022	Principal activity	Interest held
United Kingdom Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Investec 1 Limited*	Investment holding company	100%
Investec Holding Company Limited*	Investment holding company	100%
Investec (UK) Limited	Holding company	100%
Guinness Mahon Group Limited	Holding company	100%
Investec Bank plc	Banking institution	100%
PIF Investments Limited	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant	100%
EVO Nominees Limited	Dormant	100%
Evolution Securities Nominees Limited	Dormant	100%
IEC UK Investment Management Limited	Leasing company	100%
Investec Finance Limited	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
Investec Capital Solutions Limited	Lending company	100%
Diagonal Nominees Limited	Nominee	100%
F&K SPF Limited	Property company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc	Debt issuer	100%
Investec Investments (UK) Limited	Investment holding company	100%
Inv-German Retail Ltd	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%
Nars Holdings Limited	Holding company	100%
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Investments Limited	Investment holding company	100%
PSV Marine Limited	Shipping holding company	100%
PSV Anjali Limited	Shipping holding company	100%
PSV Randeep Limited	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	84%
Investec Alternative Investment Management Limited	Fund management activities	100%
Investec Capitalmind Investment Limited	Non-trading	100%

* Directly owned by Investec plc.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
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j. 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%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

j. 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%
Registered office: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance company	100%
Jersey **Registered office: 2nd Floor One The Splanade, St Helier, Channel Islands, Jersey, JE2 3QA**		
Appleton Resources (Jersey) Limited	Holding company	100%
Hong Kong **Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong**		
Investec Capital Markets Limited	Investment banking	100%
India **Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India**		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Global Services (India) Private Limited	ITES Outsourcing	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

j. 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%
Luxembourg **Registered office: 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg**		
Investec Finance SARL	Dormant	100%
Singapore **Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095**		
Investec Singapore Pte Limited	Securities services	100%
Switzerland **Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland**		
Reichmans Geneva SA	Trading company	100%
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution and wealth manager	100%
United States of America **Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA**		
US Multifamily GP LLC	Investment holding company	100%
Investec USA Holdings Corporation Inc	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC Investment	Investment holding company	100%
Fuel Cell IP 2 LLC Investment	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%
Registered office: One Carbon Center-Suite 501, **13905 McCorkle Ave. SE, Chesapeake, WV 25315**		
Appleton Coal LLC	Investment holding company	100%
Carbon Resources Development Inc	Mining company	100%
Maben Coal LLC	Investment holding company	100%

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PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

j. 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%
Luxembourg **Registered office: 19, Rue Eugene Ruppert, L-2453 Luxembourg**		
Grovepoint S.a.r.l.	Investment and advisory	42%
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%
France **Registered Office: 151 Boulevard Haussman, 75008 Paris, France**		
Capitalmind SAS	Advisory services	30%
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%
Hong Kong **Registered office: Suites 3901-3908, 39/F, Jardine House,** **1 Connaught Place, Central, Hong Kong**		
Templewater Hong Kong Limited	Investment banking	50%

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the Group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the Board of Directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below

£'000	31 March 2022	31 March 2021
Operating profit before goodwill, acquired intangibles and strategic actions	286 944	108 837
Add: Loss attributable to other non-controlling interests	—	861
Adjusted operating profit	**286 944**	**109 698**

Annuity income	Net interest income plus net annuity fees and commissions Refer to pages 118 and 119
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	12 336
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
Net core loans	**14 423**	**12 331**
of which amortised cost and FVOCI ("subject to ECL")	13 814	11 819
of which FVPL	609	512
Add: ECL	134	170
Gross core loans	**14 557**	**12 501**
of which amortised cost and FVOCI ("subject to ECL")	13 948	11 989
of which FVPL	609	512

Cost to income ratio	Refer to calculation in the table below

£'000	31 March 2022	31 March 2021
Operating costs (A)	775 866	766 367
Total operating income before expected credit loss impairment charges	1 087 969	946 400
Add: Loss attributable to other non-controlling interests	—	861
Total (B)	1 087 969	947 261
Cost to income ratio (A/B)	**71.3%**	**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 118
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

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

ECL
Expected credit loss

Funds under management
Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Legacy business in the UK Specialist Bank ('Legacy')
Legacy, as separately disclosed from 2013 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero
Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered.

Ninety One and Ninety One group
All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

Ongoing basis
Ongoing information, as separately disclosed from 2013 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions
Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 49 for detail

Subject to ECL
Includes financial assets held at amortised cost and FVOCI

GLOSSARY

The following abbreviations have been used throughout this report:

ABC	Anti-bribery and corruption
ADR Forum	Arrears, Default and Recovery Forum
AGM	Annual general meeting
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
AML	Anti-money laundering
APRA	Australian Prudential Regulation Authority
AT1	Additional Tier 1
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
CAM	Combined Assurance Matrix
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive
CET1	Common Equity Tier 1
CFP	Contingency funding plan
CFT	Combating the financing of terrorism
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CLO	Collateralised loan obligation
CLR	Credit Loss Ratio
COFI Bill	Conduct of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CSA	Credit Support Annex
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC Remco	DLC Remuneration Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
EQAR	Engagement Quality Assurance Review
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
Euribor rate	Euro interbank offered rate
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
GDPR	General Data Protection Regulation
GFSC	Guernsey Financial Services Commission
GM	Guinness Mahon
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
HR	Human resources
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
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 Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IT	Information technology
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LHS	Left hand side
LSE	London Stock Exchange
LTI	Long-term incentive
MDR	Mandatory Disclosure Rules
MLRO	Money Laundering Reporting Officer
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OD	Organisation development
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials

GLOSSARY
CONTINUED

PD	Probability of default
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RLS	Recovery Loan Scheme
RPA technologies	Robotic Process Automation technologies
RRP	Recovery Resolution Plan
RWA	Risk-weighted asset
RFR	Risk-free rate
S&P	Standard & Poor's
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SIPP	Self Invested Personal Pension
SME	Small and Medium-sized Enterprises
SMMEs	Small, Medium & Micro Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
tCO2e	Tonnes of CO2 emissions
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UN	United Nations
UN GISD	United Nations Global Investment for Sustainable Development
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
YES	Youth Employment Service

CORPORATE INFORMATION

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Directorate as at 22 June 2022
Executive directors

Fani Titi (Chief Executive)
Nishlan Samujh (Group Finance Director)
Richard Wainwright (Executive Director)
Ciaran Whelan (Executive Director)

Non-Executive directors
Philip Hourquebie(Chair)
Zarina Bassa (Senior Independent Director)
Henrietta Baldock
David Friedland
Stephen Koseff
Nicky Newton-King
Jasandra Nyker
Vanessa Olver
Philisiwe Sibiya
Khumo Shuenyane
Brian Stevenson

Contact details
Contact details for all our offices can be found on the group's website at: www.investec.com

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