Investec

OUT OF THE ORDINARY

One Investec, one year of possibilities

Investec annual report 2022

Investec risk and governance report

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

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

Page references
Refers readers to information elsewhere in this report.

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

Group sustainability
Refers readers to further information in the Investec Group's 2022 sustainability report which will be available on our website at the end of June 2022: www.investec.com

Reporting standard
Denotes our consideration of a reporting standard.

Overview of disclosure requirements
This risk and governance report explains in detail our approach to managing our business within our risk appetite tolerance, across all principal aspects of risk as well and elaborates on our governance activities.

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 Investec Group's 2022 risk and governance annual report on pages 25 to 92 with further disclosures provided within the Investec Group's 2022 annual financial statements.

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 integrated annual report is prepared on an Investec DLC consolidated basis (i.e. incorporating the results of Investec plc and Investec Limited), unless otherwise stated. All references in this report to Investec, the Investec Group, the Group or DLC relate to the combined Investec DLC Group comprising Investec plc and Investec Limited. The Group also publishes risk information for its 'silo' entity holding companies and its significant banking subsidiaries on a consolidated basis. This information is contained in the respective annual financial statements for those respective entities.

Furthermore, the Group publishes separate Pillar III disclosure reports for Investec Limited, Investec plc, Investec Bank Limited (IBL) and Investec Bank plc (IBP) as required in terms of Regulation 43 of the regulations relating to banks in Southern Africa and the Disclosure (CRR) part of the Prudential Regulation Authority's rulebook pertaining to banks in the United Kingdom (UK). These can be found on the Investec Group's website.

CONTENTS

Risk disclosures

IN THIS SECTION

STATEMENT FROM THE GROUP CHIEF RISK OFFICER

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 strong balance sheets 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.

In the UK, 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.

In South Africa there were no rating changes during the financial year, however, there were positive changes made to the South African sovereign's various rating outlooks.

On 15 December 2021, Fitch ratings revised South Africa's outlook from negative to stable and affirmed the Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-'. On 1 April 2022 Moody's affirmed South Africa's long-term foreign-currency and local-currency issuer ratings of Ba2 and revised the outlook to stable from negative given the improved fiscal outlook and likelihood of the government's debt burden stabilising over the medium term. Similarly, on 20 May 2022, S&P revised South Africa's outlook to positive from stable reflecting their expectation that favourable terms of trade, a path toward contained fiscal expenditure, and the implementation of some structural reforms could lead to a continued easing of fiscal and external pressures. S&P also affirmed South Africa's 'BB-/B' foreign currency and 'BB/B' local currency ratings.

IBL's ratings and outlooks continued to track the rating and outlook adjustments made to the South African sovereign during the year. IBL's national long-term ratings remain sound at Aa1.za from Moody's, AA+(zaf) from Fitch and za.AA from S&P.

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 Group's net core loan book to £29.9 billion or 10.0% growth in neutral currency.

In the UK, growth was driven by the private client residential mortgage portfolio as well as corporate client lending portfolios across multiple asset classes. In South Africa the net core loan growth was mainly due to increased activity in the high net worth and other private client lending portfolio.

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 in the UK 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.

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 0.08%, down from 0.35% reported at 31 March 2021. The UK credit loss ratio was 0.17% at 31 March 2022, below normalised levels due to limited Stage 3 impairments. The South African credit loss ratio improved to 0.00% at 31 March 2022 (31 March 2021: 0.18%) due to the partial release of management ECL overlay, improvement of the macro-economic outlook, the reversal of certain prior year specific provisions and higher post write-off recoveries.

Stage 3 exposures improved from 2.7% at 31 March 2021 to 2.0% of gross core loans subject to ECL at 31 March 2022. Stage 3 exposures are well covered by ECL provisions. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 1.6% (31 March 2021: 2.1%).

In the UK, Stage 3 exposures reduced to £291 million or 2.1% of gross core loans subject to ECL at 31 March 2022 (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. In South Africa Stage 3 has reduced to 1.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 2.6%), as a result of certain single name exposures migrating to Stage 2 as well as some settlements.

In the UK, Stage 2 exposures reduced to £992 million or 7.1% as a proportion of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 10.4%), but still remain elevated relative to pre-pandemic levels reflecting the continued uncertainty in the macro-economic environment, particularly with respect to inflation. In South Africa Stage 2 exposures increased to 5.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 5.2%) mainly due to certain single name exposures migrating from Stage 3.

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.

Given the uncertain economic outlook, the Group has maintained a level of post-model management overlays to account for risks assessed as inadequately reflected in the models. There was a net release of management overlays during the year of £2.9 million.

In the UK, 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

STATEMENT FROM THE GROUP CHIEF RISK OFFICER
CONTINUED

ongoing uncertainty in the UK and global operating environment that is not currently captured completely by modelled outputs.

In South Africa, after careful review of portfolio performance, the current design of the ECL models and updated published market data, management revised the ECL overlay of R290 million at 31 March 2021 to R219 million at 31 March 2022 in the Private Bank portfolio. As in the prior year, the overlay represents a post model adjustment designed to account for emerging risks identified for categories of borrowers within the commercial real estate (R189 million) and mortgage portfolios (R30 million). Relevant emerging risks include the reducing risk profile of the COVID-19 pandemic, counterbalanced by increasing social and geopolitical risks. Management believes that these emerging risks are not adequately represented by the historic data used to populate the ECL models. The management ECL overlay was calculated with reference to published market data that best represents the possible exposure to these emerging risks. Stage 3 ECLs continue to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Further detail on key judgements can be found on page 48

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 UK 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 has reduced to £0.4 million (31 March 2021: £0.5 million) and R4.8 million (31 March 2021: R5.5 million) in the UK and South Africa respectively.

We continue to manage 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 was £913 million at 31 March 2022.

Following the distribution that took place on 31 May 2022, Investec retains a c.10% shareholding in Ninety One (previously known as Investec Asset Management) as an investment, all held within Investec plc (31 March 2022: 25% holding, 15% and 10% in UK and South Africa respectively).

The Group continued to maintain a sound balance sheet with a low gearing ratio of 10.2 times and a core loans to equity ratio of 5.2 times at 31 March 2022. Our leverage ratios for Investec Limited and Investec plc were 7.4% and 9.2% respectively, ahead of the Group's 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.

The Group maintained a sound capital position with a Common Equity Tier 1 (CET1) ratio of 11.7% for Investec plc (standardised approach) and 14.0% for Investec Limited (FIRB approach) at 31 March 2022. The Group is targeting a minimum CET1 ratio above 10%, a Tier 1 ratio above 11% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for Investec plc and Investec Limited respectively. We remain ahead of our Group targets and well in excess of regulatory minimums.

In March 2021, the Bank of England (BoE) re-confirmed the preferred resolution strategy for the UK 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 Limited made progress in the application to adopt the Advanced Internal Ratings Based (AIRB) approach for the measurement of capital on certain portfolios currently on the Foundation Internal Ratings Based (FIRB) approach. On full adoption of AIRB, the pro-forma CET 1 ratio would increase by 200bps at 31 March 2022.

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 £17.2 billion at 31 March 2022 (31 March 2021: £13.2 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 in the UK.

Customer accounts (deposits) totalled £40.1 billion at 31 March 2022 (31 March 2021: £34.4 billion). In the UK, 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 73.7%. The Group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Investec Bank Limited (consolidated Group) ended the year to 31 March 2022 with the three-month average of its LCR at 138.9% and NSFR of 112.6%. 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. In the UK, we have accessed the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks across our banking and Wealth & Investment businesses. Countering financial and cyber crime are high priorities, particularly given the heightened cyber risk at present due to the Russian

STATEMENT FROM THE GROUP CHIEF RISK OFFICER
CONTINUED

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 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.

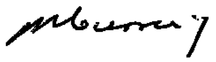
The Group's stress testing framework is well embedded in its operations and is designed to identify and regularly test the Group's key vulnerabilities under stress. A fundamental part of the stress testing process is a full and comprehensive analysis of the Group's material business activities, incorporating 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.

Our viability statement is provided on page 127 of the Investec Group's 2022 integrated and strategic annual report

Conclusion
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, with capital optionality in South Africa, as well as high levels of liquidity.



Mark Currie
Group Chief Risk Officer
22 June 2022

SALIENT FEATURES

Salient features

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

	UK and Other^^		Southern Africa^^^		Total Group	
Year to 31 March	**2022 £**	**2021*** £**	**2022 R**	**2021*** R**	**2022 £**	**2021*** £**
Net core loans (million)	14 423	12 331	298 411	287 315	29 934	26 438
Total assets (excluding assurance assets) (million)	27 804	24 604	597 989	547 413	58 784	51 398
Total risk-weighted assets (million)	16 980	16 332	319 049	351 125	33 567^	33 576^
Total equity (million)	2 680	2 506	62 529	60 628	5 740	5 312
Cash and near cash (million)	8 871	6 857	159 454	129 759	17 161	13 229
Customer accounts (deposits) (million)	18 286	16 070	419 948	374 228	40 118	34 449
Loans and advances to customers as a % of customer deposits	78.9%	76.8%	69.3%	74.6%	73.7%	75.6%
Structured credit as a % of total assets*	1.5%	2.3%	0.3%	0.5%	0.9%	1.4%
Banking book investment and equity risk exposures as a % of total assets*	2.1%	2.5%	3.5%	4.3%	2.8%	3.9%
Traded market risk: 95% one-day value at risk (million)	0.4	0.5	4.8	5.5	n/a	n/a
Core loans to equity ratio	5.4x	4.9x	4.8x	4.7x	5.2x	5.0x
Total gearing ratio**	10.4x	9.8x	9.6x	9.0x	10.2x	9.7x
Return on average assets#	0.94%	0.34%	0.90%	0.70%	0.92%	0.53%
Return on average risk-weighted assets#	1.47%	0.5%	1.54%	1.1%	1.50%	0.8%
Stage 3 exposures as a % of gross core loans subject to ECL	2.1%	2.8%	1.9%	2.6%	2.0%	2.7%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	2.0%	1.5%	2.1%	1.6%	2.1%
Credit loss ratio	0.17%	0.56%	0.00%	0.18%	0.08%	0.35%
Level 3 (fair value assets) as a % of total assets	6.4%	6.6%	2.0%	2.1%	4.1%	4.3%
Common Equity Tier 1 ratio##	11.7%	11.2%	14.0%	12.2%	n/a	n/a
Tier 1 ratio##	13.1%	12.8%	15.0%	12.8%	n/a	n/a
Total capital adequacy ratio##	16.8%	15.1%	17.5%	16.0%	n/a	n/a
Leverage ratio	9.2%	7.9%	7.4%	7.6%	n/a	n/a

* Total assets excluding assurance assets.
^ The Group numbers have been 'derived' by adding Investec plc and Investec Limited (Rand converted into Pound Sterling) numbers together.
\# Where return represents adjusted earnings attributable to ordinary shareholders, as defined on page 118. Average balances are calculated on a straight-line average.
\## The CET1, Tier 1 and total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).
** Total assets excluding assurance assets to total equity.
^^ The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £44 million (31 March 2021: £25 million) for Investec plc would lower the CET1 ratio by 28bps (31 March 2021: 17bps).
^^^ Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET1 ratio would be 134bps (31 March 2021: 39bps) lower respectively.
*** Restated as detailed on page 146 of of the Investec Group's 2022 annual financial statements.

Certain information is denoted as n/a as these statistics are not calculated at a consolidated Group level and are best reflected per banking entity.

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

Link to strategy – key

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

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

More information

Read more on pages 25 to 48

Monitoring and mitigation activities

- Independent credit committees exist in the Group's main operating jurisdictions 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 as of 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 for Investec plc and 7.5% of Tier 1 capital for Investec Limited. 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% for both Investec Limited and Investec plc (less than 1.25% and 1.5% under a weak economic environment/stressed scenario for Investec Limited and Investec plc respectively). We target Stage 3 net of ECL as a % of net core loans subject to ECL to be less than 2% for Investec plc (excluding the legacy portfolio; less than 4% under a weak economic environment/stressed scenario) and less than 1.5% for Investec Limited.	We currently remain within all tolerance levels given the current weakened economic environment. The Group credit loss ratio was calculated at 0.08% for 31 March 2022 (31 March 2021: 0.35%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.4% for Investec plc (excluding the Legacy portfolio) and 1.5% for Investec Limited.

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

More information

Read more on page 26

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning as of 31 March 2022

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

ESG (including climate) risk

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

Link to strategy

More information

Read more on pages 26 and 53, pages 92 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

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

Positioning as of 31 March 2022

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

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

More information

Read more on pages 54 and 55

Monitoring and mitigation activities

- Independent credit and investment committees in the UK and South Africa 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 for our unlisted principal investment portfolio of less than 30% of CET1 capital for Investec plc and 12.5% of Tier 1 capital for Investec Limited. Investec Limited has set a risk tolerance of 15% of total Tier 1 capital for the exposure to the IEP Group.

Positioning as of 31 March 2022

Our unlisted investment portfolios amounted to R3.1 billion and £336 million for Investec Limited and Investec plc respectively, 6.4% of total Tier 1 capital for Investec Limited and 17.4% of CET1 capital for Investec plc. Exposure to the IEP Group totalled R5.4 billion, representing 11.4% of total Limited Tier 1 capital.

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

More information

Read more on page 58 to 63

Monitoring and mitigation activities

- To identify, measure, monitor and manage market risk, we have independent market risk management teams in our core geographies where we assume market risk
- 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 R15 million for Investec Limited and less than £4 million for Investec plc.

Positioning as of 31 March 2022

We met these internal limits; one-day 95% VaR was R4.8 million for Investec Limited and £0.4 million for Investec plc at 31 March 2022.

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

More information

Read more
on pages 64 to 76

Monitoring and mitigation activities

- Our banking entities in South Africa and the UK are ring-fenced from one another and are required to meet the regulatory liquidity requirements in the jurisdictions in which they operate
- Each banking 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
- As part the broader Financial Sector Laws Amendment Act, South Africa is in the final stages of implementing a deposit insurance scheme aimed at improving the financial system's ability to absorb shocks by improving depositor confidence
- 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 as of 31 March 2022

Total cash and near cash balances amounted to £17.2 billion at year end representing 42.8% of customer deposits.

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

More information

Read more on pages 70 to 76

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 treasurers develop 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 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
- These policies dictate 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 as of 31 March 2022

Both Investec Limited and Investec plc are 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 their ICAAP. The South African PA has announced that it will adopt the new Interest Rate Risk in the Banking Book (IRRBB) regulatory reforms as outlined in BCBS 368. Implementation of the new IRRBB standards is scheduled for December 2022.

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

More information

Read more on pages 84 to 92

Monitoring and mitigation activities

- Both the Investec Limited and Investec plc Groups undertake an approach to capital management that utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements
- A detailed assessment of the regulatory and internal capital position of each Group is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed and approved by 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 DLC Capital Committee (mandated by DLC BRCC) is responsible for the oversight and management of capital and leverage.

Risk appetite and tolerance metric

We are a lowly leveraged firm and target a leverage ratio in 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 Investec Limited and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.

Positioning as of 31 March 2022

The leverage ratios were 9.2% and 7.4% for Investec plc and Investec Limited respectively.

Investec plc and Investec Limited met all these targets. Capital has grown over the period.

Reputational and strategic risks

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

More information

Read more on page 79

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 as of 31 March 2022

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

PRINCIPAL RISKS
CONTINUED

Business risk

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

Link to strategy

More 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	Positioning as of 31 March 2022
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.	Capital light activities contributed 41.7% to total operating income and balance sheet driven activities contributed 58.3%.
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%.	Annuity income amounted to 76.2% of total operating income.
We seek to maintain strict control over fixed costs. The Group has a medium-term cost to income ratio target of below 63%*.	The cost to income ratio amounted to 63.3%*.
We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio of between 12% and 16%, and a return on RWAs in excess of 1.2%.	The return on equity amounted to 11.4% and our return on RWAs amounted to 1.50%.

* The Group has announced FY2023 guidance, including that it expects the cost to income ratio to be within the Group target of <63% in FY2023, notwithstanding inflationary pressures and continued investment in technology.

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 to strategy

More information

Read more on page 79

Monitoring and mitigation activities

- A Legal Risk Forum is constituted in both the UK and South Africa to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice
- There is a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate
- The Group maintains adequate insurance to cover key insurable risks
- This is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary.

Risk appetite and tolerance metric	Positioning as of 31 March 2022
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.	Legal matters were appropriately escalated, dealt with and accounted for in the annual financial statements where necessary.

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

More information

Read more on pages 77 and 78

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 as of 31 March 2022

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

Operational risk – Business disruption and operational resilience risk

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

Link to strategy

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- Investec 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.

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

More information

Read more on pages 77, 78 and 80 to 82

Monitoring and mitigation activities

- Our approach to conduct risk is driven by our values and philosophies, ensuring that Investec 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
- Conduct Committees exist in South Africa and the UK, with the objective of ensuring that Investec 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

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- Investec 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.

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

More information

Read more on pages 77, 78, 80 and 82

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 Investec's products being used for money laundering and terrorist or proliferation financing
- A risk-based approach supports these objectives, while complying with Investec'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 Investec'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

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- Investec 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.

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

More information

Read more on pages 77 and 78

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

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- Investec 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.

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

More 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

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

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

Operational risk – Regulatory compliance risk

The 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

More information

Read more on pages 77, 78 and 80

Monitoring and mitigation activities

- Investec 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.

PRINCIPAL RISKS
CONTINUED

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

More information

Read more on pages 77, 78, 81 and 82

Monitoring and mitigation activities

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

Operational risk – Technology risk

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

Link to strategy

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- 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

More information

Read more on pages 77 and 78

Monitoring and mitigation activities

- 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.

PRINCIPAL RISKS
CONTINUED

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 below 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 on page 127 of the Investec Group's 2022 integrated and strategic annual report

Near term	Read more
Macro-economic and geopolitical risks: The Group is subject to inherent risks arising from general macro-economic and geopolitical conditions in the countries in which it operates, including in particular the UK and South Africa, as well as global economic and geopolitical conditions. The Group considers the risk associated with increasing international tension and political polarisation, wars and terrorist acts that detract from peaceful international relations and contribute to economic instability. Indirect impacts resulting from the Russian invasion of Ukraine are regarded such as risks of rising inflation compounded by supply chain issues and rising commodity prices which may lead to a recession. We operate in an emerging market in South Africa which gives rise to economic and political uncertainty most recently characterised by the civil unrest in 2021 and broader infrastructure pressure as well as the finding by the Financial Action Task Force (FATF) that the South African financial sector needs to improve its processes to prevent money laundering and terrorist financing. The situation will be monitored and consideration given to the potential impact of South Africa's 'grey-listing' on the Group's operations and consequential risks that may arise.	page 17 to 21 of the Investec Group's 2022 integrated and strategic annual report
People risk: 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.	pages 96 and 97 of the Investec Group's 2022 integrated and strategic annual report
Developments in the technology landscape: 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.	pages 17 to 21, 77 and 78

Medium term	Read more
Fluctuations in exchange rates could have an adverse impact on the Group's results of operations: The Group's reporting currency is Pound Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of individual companies are reported in the local currencies of the countries in which they are domiciled, including Rand, Australian Dollars, Euros and US Dollars. These results are then translated into Pound Sterling at the applicable foreign currency exchange rates for inclusion in the Group's financial statements. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used. Exchange rates between local currencies and Pound Sterling have fluctuated substantially over the financial year.	page 24 of the Investec Group's 2022 year-end results booklet
The Group's borrowing costs and its access to debt capital markets depend significantly on its credit ratings: Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry. The reduction in the Group's respective banking entities long- or short-term credit ratings could increase their borrowing costs and limit their access to capital markets.	page 141 of the Investec Group's 2022 integrated and strategic annual report

Long term	Read more
The financial services industry in which the Group operates is intensely competitive: The financial services industry is competitive and the Group faces substantial competition in all aspects of its business. The Group has developed leading positions in many of its core areas of activity, but does not take competition lightly, and our strategic objectives continue to focus on building business depth; providing the best integrated solution to our clients; and leveraging our digitalisation strategy in order to remain competitive.	pages 5 to 9 and page 17 to 21 of the Investec Group's 2022 integrated and strategic annual report
South Africa's sovereign ratings outlook: South Africa's sovereign rating from Moody's remained at Ba2 over the period, although the negative outlook was upgraded to stable on 1 April 2022. Fitch also left South Africa's rating unchanged, at BB, and upgraded its negative outlook to stable in December 2022. S&P confirmed South Africa's credit rating at BB-, but adjusted the outlook to positive on 20 May 2022. The improvement in South Africa's outlooks attached to the credit ratings are a consequence of lower debt to GDP ratios, both actual and projected, as significant fiscal consolidation has occurred, while GDP was also revised to higher historical levels in Rand terms.	pages 51 and 52 for more information on forward-looking macro-economic scenarios

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 Southern Africa 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.

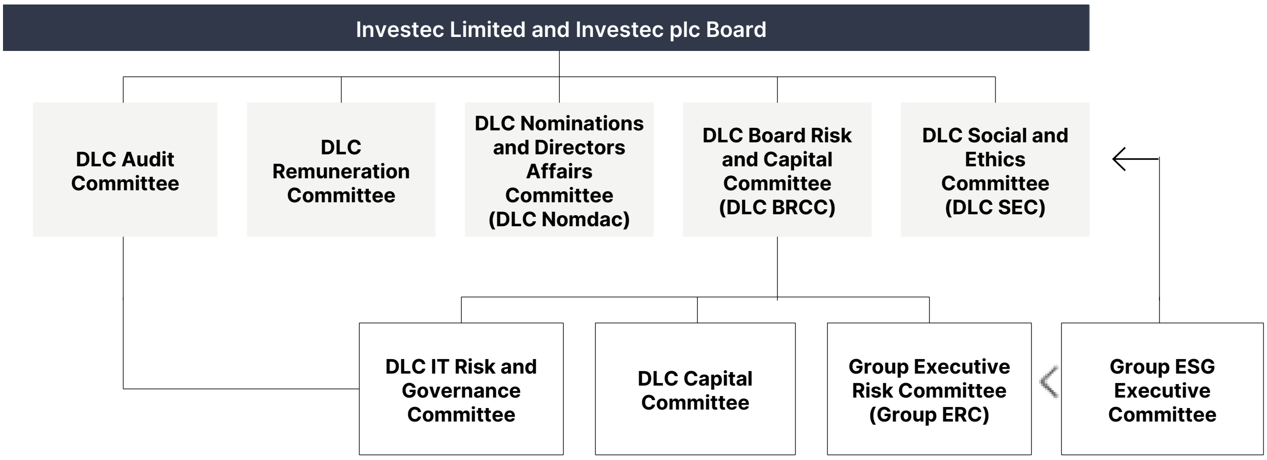
Group risk management objectives are to:

- 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 APPROACH AND FRAMEWORK
CONTINUED

Risk management framework, committees and forums

A number of committees and forums have oversight over or 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, IBL and IBP Board committees and sub-committees within respective operating jurisdictions. The Boards of IBP and IBL, the UK and South African regulated banking subsidiaries of the Group respectively, and the Boards of IW&I, our regulated wealth subsidiaries, 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, IBL 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 chair of the Group Board committee at the respective subsidiary Board committee.



In addition to the Board committees highlighted in grey above, further Group risk committees and forums exist to support them in their objectives. A summary of these Board and Group risk committees and forums are detailed below:

- **DLC Audit Committee**: detail on pages 99 to 109
- **DLC Remuneration Committee**: detail on pages 136 to 138 of the Investec Group's 2022 integrated and strategic annual report
- **DLC Nominations and Directors Affairs Committee (DLC Nomdac)**: detail on pages 95 to 96
- **DLC Board Risk and Capital Committee (DLC BRCC)**: detail on pages 110 to 114
- **DLC Social and Ethics Committee (DLC SEC)**: detail on pages 97 to 98
- **DLC Capital Committee**: mandated and reporting into the DLC BRCC, assists with the management of capital allocation and structuring, capital planning and models, performance measurement and capital-based incentivisation
- **Group ESG Executive Committee**: mandated by the Group's executive directors, reports any relevant matters to DLC SEC and Group ERC. The main objectives of the committee are to ensure that Investec conducts its business in a responsible manner as well as to manage non-financial risks in relation to environmental, social and governance (ESG) matters incorporating considerations across philanthropy, corporate social investment (CSI), ESG screening, ESG investing, impact investing and the sustainable development goals (SDGs). The committee will review all ESG strategies, policies, management initiatives, targets and performance of Investec major subsidiaries, and the Group in its entirety
- **Group Executive Risk Forum (Group ERC)**: mandated and reporting into the DLC BRCC, assists in the review of risk management policies and practices to ensure the adherence to the Group risk appetite and opines on matters escalated from IBP and IBL ERCs and IW&I
- **DLC IT Risk and Governance Committee**: mandated by the DLC BRCC to oversee the sound management of risk inherent in the use of IT, which includes ongoing oversight of technical, security, operational and cyber risks. The objective of the committee is to review, assess, prioritise the response to, and monitor current and emerging technology risk as well as to track the strategic alignment of IT and business.

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, South Africa as well as in other relevant jurisdictions such as Mauritius. 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 in the UK and South Africa and additionally the Arrears, Default and Recovery Forum (ADR Forum) in South Africa 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 in the UK reviews and monitors counterparties who have been granted forbearance measures
- Impairment Decision Committees in the UK and South Africa review recommendations from underlying Watchlist Forums and ADR Forums respectively and consider and approve the appropriate level of ECL impairments and staging
- The Models Forum in the UK and the Risk Model Forum in South Africa provide 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 IBL BRCC, 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. In South Africa, the Private Bank also targets newly qualified professionals with high-income earning potential. 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 geographies. 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, IBL ERC, 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 53 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.

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, IBP BRCC and IBL 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 29 to 41
- **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, in the UK, 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 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.

CREDIT AND COUNTERPARTY RISK
CONTINUED

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 -£2.0 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£2.3 million and total protection sold amounts to £0.3 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 104 of the Investec Group's 2022 annual financial statements

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.

UK and Other

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.

Southern Africa

Stage 2 exposures increased to 5.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 5.2%) mainly due to certain single name exposures migrating from Stage 3. Stage 3 has reduced to 1.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 2.6%), as a result of these migrations as well as certain settlements.

The overall coverage ratio for Stage 2 has increased from 2.7% at 31 March 2021 to 3.6% at 31 March 2022.

The Stage 3 coverage ratio increased from 17.8% at 31 March 2021 to 21.2% at 31 March 2022.

	UK and Other		Southern Africa		Total Group	
£'million	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021
Gross core loans	**14 557**	**12 501**	**15 651**	**14 241**	**30 208**	**26 742**
Gross core loans at FVPL (excluding fixed rate loans)	609	512	80	77	689	589
Gross core loans subject to ECL*	**13 948**	**11 989**	**15 571**	**14 164**	**29 519**	**26 153**
Stage 1	12 665	10 415	14 363	13 064	27 028	23 479
Stage 2	992	1 242	915	735	1 907	1 977
of which past due greater than 30 days	28	90	17	13	45	103
Stage 3	291	332	293	365	584	697
of which Ongoing (excluding Legacy) Stage 3#	240	231	293	365	533	596
ECL	**(134)**	**(170)**	**(140)**	**(134)**	**(274)**	**(304)**
Stage 1	(32)	(27)	(45)	(49)	(77)	(76)
Stage 2	(35)	(42)	(33)	(20)	(68)	(62)
Stage 3	(67)	(101)	(62)	(65)	(129)	(166)
of which Ongoing (excluding Legacy) Stage 3#	(40)	(62)	(62)	(65)	(102)	(127)
Coverage ratio						
Stage 1	0.25%	0.26%	0.31%	0.38%	0.28%	0.32%
Stage 2	3.5%	3.4%	3.6%	2.7%	3.6%	3.1%
Stage 3	23.0%	30.4%	21.2%	17.8%	22.1%	23.8%
of which Ongoing (excluding Legacy) Stage 3#	16.7%	26.8%	21.2%	17.8%	19.1%	21.3%
Credit loss ratio	**0.17%**	**0.56%**	**0.00%**	**0.18%**	**0.08%**	**0.35%**
ECL impairment charges on core loans	(22)	(65)	(1)	(24)	(23)	(89)
Average gross core loans subject to ECL	12 969	11 691	14 871	13 624	27 840	25 315
An analysis of Stage 3 gross core loans subject to ECL						
Stage 3 net of ECL	224	231	231	300	455	531
of which Ongoing (excluding Legacy) Stage 3#	200	169	231	300	431	469
Aggregate collateral and other credit enhancements on Stage 3	230	235	298	405	528	640
Stage 3 as a % of gross core loans subject to ECL	2.1%	2.8%	1.9%	2.6%	2.0%	2.7%
of which Ongoing (excluding Legacy) Stage 3#	1.7%	1.9%	1.9%	2.6%	1.8%	2.3%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	2.0%	1.5%	2.1%	1.6%	2.1%
of which Ongoing (excluding Legacy) Stage 3#	1.4%	1.4%	1.5%	2.1%	1.5%	1.8%

* Includes portfolios for which ECL is not required for IFRS purposes, but which management evaluates on this basis. These are fixed rate loans which have passed the solely payments of principal and interest (SPPI) test and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. The drawn (£1.0 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: £1.1 billion). The ECL on the portfolio is £3.9 million (31 March 2021: £5.2 million).

\# Refer to definitions on page 119. 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. In South Africa, the migration of certain exposures resulted in the decrease in Stage 3 and the increase in Stage 2 exposures. In the UK, 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 relate to the changes in the macro-economic scenarios as well as the release of certain overlays in South Africa. 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	**22 630**	**(85)**	**1 266**	**(50)**	**581**	**(192)**	**24 477**	**(327)**
Transfer from Stage 1	(1 472)	6	1 374	(5)	98	(1)	—	—
Transfer from Stage 2	360	(6)	(591)	17	231	(11)	—	—
Transfer from Stage 3	13	(2)	11	(1)	(24)	3	—	—
ECL remeasurement arising from transfer of stage	—	6	—	(16)	—	(32)	—	(42)
New lending net of repayments (includes assets written off)	1 075	(7)	(110)	6	(200)	76	765	75
Changes to risk parameters and models	—	15	—	(12)	—	(4)	—	(1)
Foreign exchange and other	873	(3)	27	(1)	11	(5)	911	(9)
At 31 March 2021	**23 479**	**(76)**	**1 977**	**(62)**	**697**	**(166)**	**26 153**	**(304)**
Transfer from Stage 1	(864)	3	782	(2)	82	(1)	—	—
Transfer from Stage 2	594	(10)	(773)	15	179	(5)	—	—
Transfer from Stage 3	14	(2)	127	(1)	(141)	3	—	—
ECL remeasurement arising from transfer of stage	—	8	—	(14)	—	(24)	—	(30)
New lending net of repayments (includes assets written off)	3 016	(8)	(254)	9	(254)	62	2 508	63
Changes to risk parameters and models	—	9	—	(11)	—	6	—	4
Foreign exchange and other	789	(1)	48	(2)	21	(4)	858	(7)
At 31 March 2022	**27 028**	**(77)**	**1 907**	**(68)**	**584**	**(129)**	**29 519**	**(274)**

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:

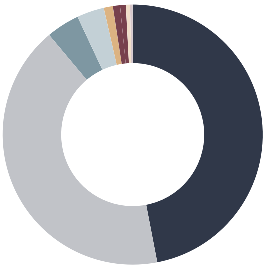
At 31 March 2022 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**15 129**	**12 729**	**1 077**	**584**	**29 519**
Stage 1	14 805	11 503	720	—	27 028
Stage 2	324	1 226	357	—	1 907
Stage 3	—	—	—	584	584
ECL	**(20)**	**(88)**	**(37)**	**(129)**	**(274)**
Stage 1	(17)	(47)	(13)	—	(77)
Stage 2	(3)	(41)	(24)	—	(68)
Stage 3	—	—	—	(129)	(129)
Coverage ratio	**0.1%**	**0.7%**	**3.4%**	**22.1%**	**0.9%**

At 31 March 2021 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**12 192**	**12 385**	**879**	**697**	**26 153**
Stage 1	12 002	10 847	630	—	23 479
Stage 2	190	1 538	249	—	1 977
Stage 3	—	—	—	697	697
ECL	**(13)**	**(94)**	**(31)**	**(166)**	**(304)**
Stage 1	(8)	(55)	(13)	—	(76)
Stage 2	(5)	(39)	(18)	—	(62)
Stage 3	—	—	—	(166)	(166)
Coverage ratio	**0.1%**	**0.8%**	**3.5%**	**23.8%**	**1.2%**

ASSET QUALITY
CONTINUED

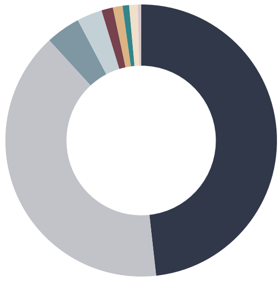
An analysis of total gross core loans by country of exposure

31 March 2022
£30 208 million



South Africa	47.0%
United Kingdom	41.9%
Europe (excluding UK)	4.1%
North America	3.4%
Africa (excluding RSA)	1.1%
Asia	0.9%
Europe (Non-EU)	0.7%
Australia	0.5%
Other	0.4%

31 March 2021
£26 742 million



South Africa	48.3%
United Kingdom	39.9%
Europe (excluding UK)	4.1%
North America	3.0%
Africa (excluding RSA)	1.4%
Asia	1.1%
Europe (Non-EU)	0.8%
Australia	1.0%
Other	0.4%

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.

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.

Year in review
In the UK, lending collateralised by property totalled £2.3 billion or 16.2% of UK 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.

In South Africa, the majority of the property assets are commercial investment properties and are located in South Africa. This portfolio grew by 6.5% to R49.7 billion at 31 March 2022 and is in line with our risk appetite.

ASSET QUALITY
CONTINUED

Lending collateralised by property – total Group

£'million	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
Commercial real estate	**3 789**	**(13)**	**379**	**(12)**	**175**	**(37)**	**4 343**	**(62)**	**46**	**4 389**
Commercial real estate – investment	3 425	(12)	332	(10)	169	(34)	3 926	(56)	42	3 968
Commercial real estate – development	326	(1)	41	(1)	—	—	367	(2)	4	371
Commercial vacant land and planning	38	—	6	(1)	6	(3)	50	(4)	—	50
Residential real estate	**968**	**(3)**	**85**	**(1)**	**46**	**(16)**	**1 099**	**(20)**	**29**	**1 128**
Residential real estate – investment	518	(1)	32	(1)	4	(1)	554	(3)	27	581
Residential real estate – development	402	(2)	52	—	6	(3)	460	(5)	—	460
Residential vacant land and planning	48	—	1	—	36	(12)	85	(12)	2	87
Total lending collateralised by property	**4 757**	**(16)**	**464**	**(13)**	**221**	**(53)**	**5 442**	**(82)**	**75**	**5 517**
Coverage ratio		**0.34%**		**2.8%**		**24.0%**		**1.5%**		
At 31 March 2021										
Commercial real estate	**3 403**	**(11)**	**273**	**(7)**	**245**	**(38)**	**3 921**	**(56)**	**19**	**3 940**
Commercial real estate – investment	2 986	(10)	251	(6)	237	(34)	3 474	(50)	15	3 489
Commercial real estate – development	378	(1)	13	—	1	(1)	392	(2)	4	396
Commercial vacant land and planning	39	—	9	(1)	7	(3)	55	(4)	—	55
Residential real estate	**991**	**(2)**	**23**	**—**	**78**	**(30)**	**1 092**	**(32)**	**11**	**1 103**
Residential real estate – investment	501	(1)	3	—	24	(7)	528	(8)	9	537
Residential real estate – development	443	(1)	20	—	23	(5)	486	(6)	—	486
Residential vacant land and planning	47	—	—	—	31	(18)	78	(18)	2	80
Total lending collateralised by property	**4 394**	**(13)**	**296**	**(7)**	**323**	**(68)**	**5 013**	**(88)**	**30**	**5 043**
Coverage ratio		**0.30%**		**2.4%**		**21.1%**		**1.8%**		

ASSET QUALITY
CONTINUED

Lending collateralised by property – UK and Other

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
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)	—	0	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

Lending collateralised by property – Southern Africa

£'million	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2022										
Commercial real estate	**2 455**	**(10)**	**227**	**(6)**	**70**	**(16)**	**2 752**	**(32)**	**—**	**2 752**
Commercial real estate – investment	2 321	(10)	224	(6)	70	(16)	2 615	(32)	—	2 615
Commercial real estate – development	104	—	3	—	—	—	107	—	—	107
Commercial vacant land and planning	30	—	—	—	—	—	30	—	—	30
Residential real estate	**292**	**(1)**	**82**	**(1)**	**12**	**—**	**386**	**(2)**	**—**	**386**
Residential real estate – investment	124	—	29	(1)	—	—	153	(1)	—	153
Residential real estate – development	126	(1)	52	—	—	—	178	(1)	—	178
Residential vacant land and planning	42	—	1	—	12	—	55	—	—	55
Total lending collateralised by property	**2 747**	**(11)**	**309**	**(7)**	**82**	**(16)**	**3 138**	**(34)**	**—**	**3 138**
Coverage ratio		**0.40%**		**2.3%**		**19.5%**		**1.1%**		
At 31 March 2021										
Commercial real estate	**2 277**	**(11)**	**139**	**(3)**	**108**	**(13)**	**2 524**	**(27)**	**—**	**2 524**
Commercial real estate – investment	2 076	(10)	133	(3)	107	(13)	2 316	(26)	—	2 316
Commercial real estate – development	167	(1)	3	—	—	—	170	(1)	—	170
Commercial vacant land and planning	34	—	3	—	1	—	38	—	—	38
Residential real estate	**377**	**(2)**	**11**	**—**	**5**	**(1)**	**393**	**(3)**	**—**	**393**
Residential real estate – investment	186	(1)	—	—	5	(1)	191	(2)	—	191
Residential real estate – development	156	(1)	11	—	—	—	167	(1)	—	167
Residential vacant land and planning	35	—	—	—	—	—	35	—	—	35
Total lending collateralised by property	**2 654**	**(13)**	**150**	**(3)**	**113**	**(14)**	**2 917**	**(30)**	**—**	**2 917**
Coverage ratio		**0.49%**		**2.0%**		**12.4%**		**1.0%**		

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. In South Africa, the private bank also targets newly qualified professionals with high-income earning potential.

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
In the UK, 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 UK 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%.

In South Africa, we have seen continued growth in our high net worth and other private client portfolio and client base as we actively focus on our business strategy to increase our positioning in this space. The high net worth client portfolio and residential mortgage book grew by 5.9% to R157.1 billion at 31 March 2022. Growth in both of these areas has been achieved with strong adherence to our risk appetite.

The management overlay for the mortgages portfolio was reduced from R100 million to R30 million during the year under review.

High net worth and other private client lending – total Group

	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	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	8 160	(5)	312	(9)	118	(15)	8 590	(29)	25	8 615
High net worth and specialised lending	4 585	(14)	77	(2)	82	(10)	4 744	(26)	3	4 747
Total high net worth and other private client lending	**12 745**	**(19)**	**389**	**(11)**	**200**	**(25)**	**13 334**	**(55)**	**28**	**13 362**
Coverage ratio		**0.15%**		**2.8%**		**12.5%**		**0.4%**		
At 31 March 2021										
Mortgages	6 865	(7)	252	(7)	84	(17)	7 201	(31)	—	7 201
High net worth and specialised lending	4 039	(14)	83	(2)	74	(17)	4 196	(33)	7	4 203
Total high net worth and other private client lending	**10 904**	**(21)**	**335**	**(9)**	**158**	**(34)**	**11 397**	**(64)**	**7**	**11 404**
Coverage ratio		**0.19%**		**2.7%**		**21.5%**		**0.6%**		

ASSET QUALITY
CONTINUED

High net worth and other private client lending – UK and Other

£'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL	Gross core loans
	Gross core loans at amortised cost and FVOCI									
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%**		

High net worth and other private client lending – Southern Africa

£'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Gross core loans at amortised cost and FVPL (subject to ECL)									
At 31 March 2022										
Mortgages	4 165	(4)	226	(9)	61	(11)	4 452	(24)	—	4 452
High net worth and specialised lending	3 647	(12)	35	(1)	76	(8)	3 758	(21)	—	3 758
Total high net worth and other private client lending	**7 812**	**(16)**	**261**	**(10)**	**137**	**(19)**	**8 210**	**(45)**	**—**	**8 210**
Coverage ratio		**0.20%**		**3.8%**		**13.9%**		**0.5%**		
At 31 March 2021										
Mortgages	3 762	(6)	178	(7)	68	(15)	4 008	(28)	—	4 008
High net worth and specialised lending	3 207	(13)	52	(1)	72	(16)	3 331	(30)	—	3 331
Total high net worth and other private client lending	**6 969**	**(19)**	**230**	**(8)**	**140**	**(31)**	**7 339**	**(58)**	**—**	**7 339**
Coverage ratio		**0.27%**		**3.5%**		**22.1%**		**0.8%**		

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, North America and Southern Africa 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 in the UK, 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

In the UK, corporate and other lending increased by 12.0% 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.

In South Africa, corporate and other lending increased by 1.7% to R81.6 billion as at 31 March 2022 as a result of increased activity offset by elevated corporate repayments during the year under review.

ASSET QUALITY
CONTINUED

Corporate and other lending – total Group

	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	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	4 186	(21)	535	(29)	75	(23)	4 796	(73)	205	5 001
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 582	(2)	18	—	—	—	1 600	(2)	44	1 644
Other corporate and financial institutions and governments	544	(2)	37	(2)	4	(1)	585	(5)	11	596
Asset finance*	2 025	(11)	368	(10)	43	(25)	2 436	(46)	—	2 436
Small ticket asset finance	1 397	(9)	247	(7)	37	(23)	1 681	(39)	—	1 681
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Other large ticket asset finance	—	—	—	—	—	—	—	—	—	—
Aviation finance	174	(2)	17	(1)	—	—	191	(3)	244	435
Power and infrastructure finance	663	(3)	52	(2)	41	(2)	756	(7)	70	826
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**9 526**	**(42)**	**1 054**	**(44)**	**163**	**(51)**	**10 743**	**(137)**	**586**	**11 329**
Coverage ratio		**0.44%**		**4.2%**		**31.3%**		**1.3%**		
At 31 March 2021										
Corporate and acquisition finance	3 280	(18)	651	(25)	97	(21)	4 028	(64)	164	4 192
Asset-based lending	206	(2)	119	(3)	—	—	325	(5)	14	339
Fund finance	1 551	(4)	57	—	—	—	1 608	(4)	48	1 656
Other corporate and financial institutions and governments	587	(2)	26	—	3	(1)	616	(3)	17	633
Asset finance*	1 730	(12)	295	(12)	83	(38)	2 108	(62)	—	2 108
Small ticket asset finance	1 263	(11)	213	(11)	54	(18)	1 530	(40)	—	1 530
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Other large ticket asset finance	—	—	—	—	23	(18)	23	(18)	—	23
Aviation finance	141	(1)	95	(2)	8	(3)	244	(6)	262	506
Power and infrastructure finance	658	(3)	103	(4)	25	(1)	786	(8)	47	833
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	**8 181**	**(42)**	**1 346**	**(46)**	**216**	**(64)**	**9 743**	**(152)**	**552**	**10 295**
Coverage ratio		**0.51%**		**3.4%**		**29.6%**		**1.6%**		

* Comprises small ticket asset finance, motor finance and other large ticket asset finance, excluding aviation finance now reported separately.

ASSET QUALITY
CONTINUED

Corporate and other lending – UK and Other

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Asset finance	1 811	(10)	363	(10)	35	(20)	2 209	(40)	—	2 209
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
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	—	1 869
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%**		

ASSET QUALITY
CONTINUED

Corporate and other lending – Southern Africa

£'million	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2022										
Corporate and acquisition finance	2 658	(14)	328	(16)	65	(22)	3 051	(52)	80	3 131
Fund finance	388	(1)	—	—	—	—	388	(1)	—	388
Financial institutions and governments	165	—	—	—	1	—	166	—	—	166
Small ticket asset finance	214	(1)	5	—	8	(5)	227	(6)	—	227
Aviation finance*	78	(1)	7	—	—	—	85	(1)	—	85
Power and infrastructure finance	301	(1)	5	—	—	—	306	(1)	—	306
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**3 804**	**(18)**	**345**	**(16)**	**74**	**(27)**	**4 223**	**(61)**	**80**	**4 303**
Coverage ratio		**0.47%**		**4.6%**		**36.5%**		**1.4%**		
At 31 March 2021										
Corporate and acquisition finance	2 280	(11)	315	(8)	85	(17)	2 680	(36)	77	2 757
Fund finance	375	(2)	—	—	—	—	375	(2)	—	375
Financial institutions and governments	165	—	8	—	—	—	173	—	—	173
Small ticket asset finance	203	(2)	11	(1)	25	(2)	239	(5)	—	239
Aviation finance*	111	(1)	—	—	2	(1)	113	(2)	—	113
Power and infrastructure finance	307	(1)	21	—	—	—	328	(1)	—	328
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**3 441**	**(17)**	**355**	**(9)**	**112**	**(20)**	**3 908**	**(46)**	**77**	**3 985**
Coverage ratio		**0.49%**		**2.5%**		**17.9%**		**1.2%**		

* There are additional aviation exposures of £33 million (31 March 2021: £58 million) in Corporate and acquisition finance and £11 million (31 March 2021: £45 million) in Financial institutions and governments.

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 £59.6 billion at 31 March 2022. Cash and near cash balances amounted to £17.2 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, non-sovereign and non-bank cash placements 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 94% of overall ECLs.

An analysis of gross credit and counterparty exposures by geography

	UK and Other		Southern Africa		Total	
£'million	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021*	**31 March 2022**	31 March 2021*
Cash and balances at central banks	5 380	3 043	585	456	5 965	3 499
Loans and advances to banks	1 460	1 374	1 092	1 263	2 552	2 637
Non-sovereign and non-bank cash placements	—	—	687	442	687	442
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	2 065	3 163	1 511	4 610	3 576
Sovereign debt securities	1 166	1 108	2 983	2 604	4 149	3 712
Bank debt securities	62	48	1 454	1 074	1 516	1 122
Other debt securities	433	672	802	694	1 235	1 366
Derivative financial instruments	645	729	368	760	1 013	1 489
Securities arising from trading activities	26	28	114	139	140	167
Loans and advances to customers	14 557	12 501	15 274	13 838	29 831	26 339
Own originated loans and advances to customers securitised	—	—	377	403	377	403
Other loans and advances	123	93	6	10	129	103
Other securitised assets	6	6	—	—	6	6
Other assets	116	451	13	—	129	451
Total on-balance sheet exposures	**25 421**	**22 118**	**26 918**	**23 194**	**52 339**	**45 312**
Guarantees	138	145	883	732	1 021	877
Committed facilities related to loans and advances to customers	1 957	1 805	3 480	3 160	5 437	4 965
Contingent liabilities, letters of credit and other	326	253	480	370	806	623
Total off-balance sheet exposures	**2 421**	**2 203**	**4 843**	**4 262**	**7 264**	**6 465**
Total gross credit and counterparty exposures	**27 842**	**24 321**	**31 761**	**27 456**	**59 603**	**51 777**

31 March 2022
£59 603 million

Southern Africa 53.3%
UK and Other 46.7%

31 March 2021
£51 777 million

Southern Africa 53.0%
UK and Other 47.0%

* Restated as detailed on page 146 of the Investec Group's 2022 annual financial statements.

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	5 965	—	5 965	—	33	5 998
Loans and advances to banks	2 552	—	2 552	—	—	2 552
Non-sovereign and non-bank cash placements	687	29	658	(2)	—	685
Reverse repurchase agreements and cash collateral on securities borrowed	4 610	1 883	2 727	—	—	4 610
Sovereign debt securities	4 149	406	3 743	(3)	—	4 146
Bank debt securities	1 516	15	1 501	(1)	—	1 515
Other debt securities	1 235	160	1 075	(7)	—	1 228
Derivative financial instruments	1 013	1 013	—	—	604	1 617
Securities arising from trading activities	140	140	—	—	543	683
Investment portfolio	—	—	—	—	913*	913
Loans and advances to customers	29 831	1 693	28 138	(273)	—	29 558
Own originated loans and advances to customers securitised	377	—	377	(1)	—	376
Other loans and advances	129	—	129	(1)	—	128
Other securitised assets	6	6	—	—	118^	124
Interest in associated undertakings and joint venture holdings	—	—	—	—	734*	734
Deferred taxation assets	—	—	—	—	259	259
Current taxation assets	—	—	—	—	34	34
Other assets	129	—	129	—	1 940**	2 069
Property and equipment	—	—	—	—	335	335
Investment properties	—	—	—	—	821	821
Goodwill	—	—	—	—	258	258
Software	—	—	—	—	9	9
Other acquired intangible assets	—	—	—	—	44	44
Non-current assets held for sale	—	—	—	—	79	79
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	—	—	—	—	60	60
Total on-balance sheet exposures	**52 339**	**5 345**	**46 994**	**(288)**	**6 784**	**58 835**
Guarantees	1 021	—	1 021	—	93	1 114
Committed facilities related to loans and advances to customers	5 437	53	5 384	(11)	—	5 426
Contingent liabilities, letters of credit and other	806	234	572	(1)	1 323	2 128
Total off-balance sheet exposures	**7 264**	**287**	**6 977**	**(12)**	**1 416**	**8 668**
Total exposures	**59 603**	**5 632**	**53 971**	**(300)**	**8 200**	**67 503**

Includes £7.7 million of ECL held against financial assets held at FVOCI (fair value through other comprehensive income), which is reported on the balance sheet within the fair value reserves. 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.
* Largely 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	3 499	—	3 499	—	18	3 517
Loans and advances to banks	2 637	—	2 637	—	—	2 637
Non-sovereign and non-bank cash placements	442	1	441	(2)	—	440
Reverse repurchase agreements and cash collateral on securities borrowed	3 576	1 288	2 288	—	—	3 576
Sovereign debt securities	3 712	197	3 515	(3)	—	3 709
Bank debt securities	1 122	14	1 108	—	—	1 122
Other debt securities	1 366	206	1 160	(3)	—	1 363
Derivative financial instruments	1 489	1 489	—	—	226	1 715
Securities arising from trading activities	167	167	—	—	858	1 025
Investment portfolio	—	—	—	—	909*	909
Loans and advances to customers	26 339	1 689	24 650	(303)	—	26 036
Own originated loans and advances to customers securitised	403	—	403	(1)	—	402
Other loans and advances	103	—	103	(1)	—	102
Other securitised assets	6	6	—	—	134^	140
Interest in associated undertakings and joint venture holdings	—	—	—	—	679*	679
Deferred taxation assets	—	—	—	—	247	247
Current taxation assets	—	—	—	—	60	60
Other assets	451	—	451	—	1 714**	2 165
Property and equipment	—	—	—	—	330	330
Investment properties	—	—	—	—	832	832
Goodwill	—	—	—	—	260	260
Software	—	—	—	—	13	13
Other acquired intangible assets	—	—	—	—	59	59
Non-current assets held for sale	—	—	—	—	52	52
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	—	—	—	—	52	52
Total on-balance sheet exposures	**45 312**	**5 057**	**40 255**	**(313)**	**6 443**	**51 442**
Guarantees	877	—	877	(1)	50	926
Committed facilities related to loans and advances to customers	4 965	83	4 882	(12)	—	4 953
Contingent liabilities, letters of credit and other	623	173	450	—	1 337	1 960
Total off-balance sheet exposures	**6 465**	**256**	**6 209**	**(13)**	**1 387**	**7 839**
Total exposures	**51 777**	**5 313**	**46 464**	**(326)**	**7 830**	**59 281**

Includes £9.6 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserves. 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.

* Largely 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.

Restated as detailed on page 146 of the Investec Group's 2022 annual financial statements.

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	5 965	—	—	—	—	—	5 965
Loans and advances to banks	2 412	43	77	20	—	—	2 552
Non-sovereign and non-bank cash placements	617	3	—	67	—	—	687
Reverse repurchase agreements and cash collateral on securities borrowed	3 200	42	251	515	32	570	4 610
Sovereign debt securities	858	584	517	1 265	573	352	4 149
Bank debt securities	402	388	117	376	233	—	1 516
Other debt securities	191	79	148	311	239	267	1 235
Derivative financial instruments	189	215	287	280	30	12	1 013
Securities arising from trading activities	11	37	27	16	19	30	140
Loans and advances to customers	2 781	2 148	3 349	15 649	3 458	2 446	29 831
Own originated loans and advances to customers securitised	—	—	2	105	53	217	377
Other loans and advances	8	—	—	57	53	11	129
Other securitised assets	—	—	—	—	—	6	6
Other assets	129	—	—	—	—	—	129
Total on-balance sheet exposures	**16 763**	**3 539**	**4 775**	**18 661**	**4 690**	**3 911**	**52 339**
Guarantees	221	47	285	305	158	5	1 021
Committed facilities related to loans and advances to customers	1 265	169	321	1 875	514	1 294	5 438
Contingent liabilities, letters of credit and other	108	19	113	423	69	74	806
Total off-balance sheet exposures	**1 594**	**235**	**719**	**2 603**	**741**	**1 373**	**7 265**
Total gross credit and counterparty exposures	**18 357**	**3 774**	**5 494**	**21 264**	**5 431**	**5 284**	**59 604**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property – largely to private clients	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	—	—	—	—	5 965	—	—
Loans and advances to banks	—	—	—	—	—	—	2 552
Non-sovereign and non-bank cash placements	—	—	56	30	—	74	94
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	7	4 062
Sovereign debt securities	—	—	—	—	4 149	—	—
Bank debt securities	—	—	—	—	—	—	1 516
Other debt securities	—	—	—	109	10	49	661
Derivative financial instruments	—	—	2	119	—	8	692
Securities arising from trading activities	—	—	—	—	52	2	77
Loans and advances to customers	12 985	5 517	157	1 088	346	1 818	2 897
Own originated loans and advances to customers securitised	377	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	111
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	52
Total on-balance sheet exposures	**13 362**	**5 517**	**215**	**1 346**	**11 007**	**1 958**	**12 714**
Guarantees	269	82	2	66	—	149	317
Committed facilities related to loans and advances to customers	2 394	682	67	372	74	313	779
Contingent liabilities, letters of credit and other	171	83	—	191	61	29	207
Total off-balance sheet exposures	**2 834**	**847**	**69**	**629**	**135**	**491**	**1 303**
Total gross credit and counterparty exposures	**16 196**	**6 364**	**284**	**1 975**	**11 142**	**2 449**	**14 017**
At 31 March 2021*							
Cash and balances at central banks	—	—	—	—	3 499	—	—
Loans and advances to banks	—	—	—	—	—	—	2 637
Non-sovereign and non-bank cash placements	—	—	53	—	—	93	102
Reverse repurchase agreements and cash collateral on securities borrowed	1	—	—	—	634	2	2 874
Sovereign debt securities	—	—	—	—	3 665	—	47
Bank debt securities	—	—	—	—	—	—	1 122
Other debt securities	—	—	—	118	6	46	655
Derivative financial instruments	—	5	4	120	64	46	1 007
Securities arising from trading activities	—	—	—	4	71	2	85
Loans and advances to customers	11 001	5 043	147	985	403	1 549	2 416
Own originated loans and advances to customers securitised	403	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	75
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	**11 405**	**5 048**	**204**	**1 236**	**8 342**	**1 738**	**11 461**
Guarantees	302	80	1	79	—	7	266
Committed facilities related to loans and advances to customers	2 128	638	54	332	59	356	644
Contingent liabilities, letters of credit and other	122	54	—	146	58	—	128
Total off-balance sheet exposures	**2 552**	**772**	**55**	**557**	**117**	**363**	**1 038**
Total gross credit and counterparty exposures	**13 957**	**5 820**	**259**	**1 793**	**8 459**	**2 101**	**12 499**

* Restated as detailed on page 146 of the Investec Group's 2022 annual financial statements.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	—	5 965
—	—	—	—	—	—	—	—	—	—	2 552
176	175	3	—	—	51	—	1	—	27	687
1	—	—	8	—	19	—	28	—	—	4 610
—	—	—	—	—	—	—	—	—	—	4 149
—	—	—	—	—	—	—	—	—	—	1 516
—	64	—	57	99	6	—	94	—	86	1 235
12	22	—	19	—	113	3	16	—	7	1 013
—	—	—	—	5	—	—	4	—	—	140
595	1 168	195	362	—	172	223	882	755	671	29 831
—	—	—	—	—	—	—	—	—	—	377
—	—	—	—	18	—	—	—	—	—	129
—	—	—	—	6	—	—	—	—	—	6
20	1	—	—	—	—	—	53	—	3	129
804	**1 430**	**198**	**446**	**128**	**361**	**226**	**1 078**	**755**	**794**	**52 339**
3	57	—	6	—	32	1	18	—	19	1 021
107	219	16	45	—	152	3	64	—	151	5 438
8	23	—	8	—	23	—	2	—	—	806
118	**299**	**16**	**59**	**—**	**207**	**4**	**84**	**—**	**170**	**7 265**
922	**1 729**	**214**	**505**	**128**	**568**	**230**	**1 162**	**755**	**964**	**59 604**
—	—	—	—	—	—	—	—	—	—	3 499
—	—	—	—	—	—	—	—	—	—	2 637
85	16	1	28	—	8	1	22	—	33	442
1	—	—	13	—	9	—	42	—	—	3 576
—	—	—	—	—	—	—	—	—	—	3 712
—	—	—	—	—	—	—	—	—	—	1 122
—	50	—	54	238	16	—	115	—	68	1 366
39	34	2	69	—	23	6	62	—	8	1 489
—	—	—	—	2	—	—	3	—	—	167
462	1 117	176	359	—	263	272	1 044	555	547	26 339
—	—	—	—	—	—	—	—	—	—	403
—	2	—	—	26	—	—	—	—	—	103
—	—	—	—	6	—	—	—	—	—	6
—	1	—	—	—	—	—	—	—	—	451
587	**1 220**	**179**	**523**	**272**	**319**	**279**	**1 288**	**555**	**656**	**45 312**
7	102	8	9	—	5	1	6	—	4	877
101	155	20	35	—	173	1	78	—	191	4 965
14	1	—	7	—	24	—	1	—	68	623
122	**258**	**28**	**51**	**—**	**202**	**2**	**85**	**—**	**263**	**6 465**
709	**1 478**	**207**	**574**	**272**	**521**	**281**	**1 373**	**555**	**919**	**51 777**

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 please refer to pages 51 and 52 of the Investec Group's 2022 annual financial statements

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 detail on internal credit ratings is provided on page 31

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 52 of the Investec Group's 2022 annual financial statements

Key judgements at 31 March 2022

UK and Other

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.

South Africa

After careful review of portfolio performance, the current design of the ECL models and updated published market data, management reduced the ECL overlay of R290 million at 31 March 2021 to R219 million at 31 March 2022 in the Private Bank portfolio.

As in the prior year, the overlay represents a post-model adjustment designed to account for emerging risks identified for categories of borrowers within the commercial real estate (R189 million) and mortgage portfolios (R30 million). Relevant emerging risks include the reducing risk profile of the COVID-19 pandemic, counterbalanced by increasing social and geopolitical risks. Management believes that these emerging risks are not adequately represented by the historic data used to populate the ECL models. The management ECL overlay was calculated with reference to published market data that best represents the possible exposure to these emerging risks. Stage 3 ECLs continue to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

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.

For the UK bank specifically, the 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. In South Africa, we have two downside scenarios, the down case and the extreme down case. The change in the pre-overlay ECL applying a 100% weight to each scenario increases the ECL by R150 million and R514 million respectively.

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.

UK and Other

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.

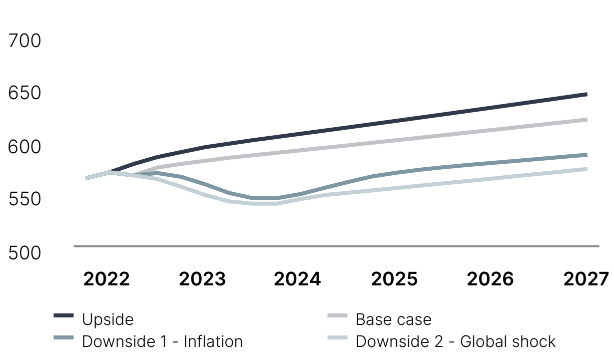
Downside 2 - global shock scenario is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a severe synchronised global economic downturn and a sharp repricing of all asset classes, particularly the ones whose valuations are most elevated. Although the shock is assumed to 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.

£'billion



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.

	Upside	**Baseline: Base case five-year average**	**Downside 1 inflation**	**Downside 2 global shock**
Five-year extreme points At 31 March 2022	**%**	**%**	**%**	**%**
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)

MACRO-ECONOMICS
CONTINUED

South Africa

For Investec Limited, five macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, two upside cases and two downside cases. The aim of this economic scenario generation process was to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers.

As at 31 March 2022, all five scenarios were updated to incorporate the latest available data.

The base case is characterised by the view that economic growth lifts to 3% by the end of the five-year period with sufficient domestic policy support measures to support this acceleration, while global financial market risk sentiment is neutral to positive. South Africa remains in the BB credit rating category bracket as fiscal consolidation (debt to GDP stabilisation) occurs. The Rand sees mild weakness and inflation is also impacted by the course of weather patterns via food price inflation. A modest transition to renewable energy and slow move away from fossil fuel usage occurs and measures to alleviate the impact of climate change on the economy are modestly implemented. Little expropriation without compensation occurs and it does not have a negative effect on the economy, and there is no nationalisation. The expected case sees the Russian invasion of Ukraine ease, and not exacerbate. As at 31 March 2022, the weighting of the base case was 51%, while at 31 March 2021 the scenario weighting of the base case was 48%, with the upwards revision due to the improvement in government finances in the period.

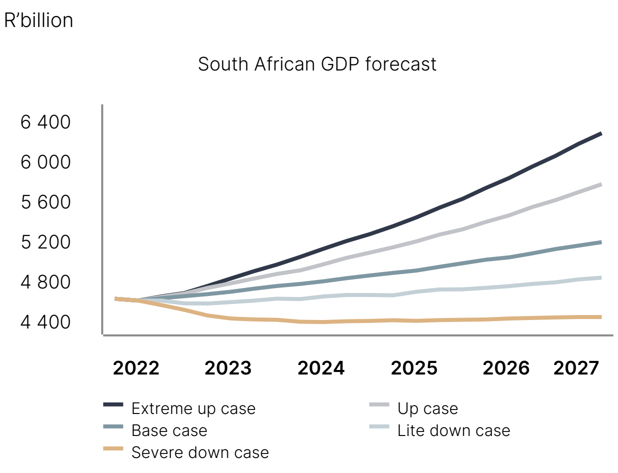
The lite down case has the same expected international environment (including global financial market risk sentiment) as the base case, but the domestic environment differs. Under this scenario government debt, and debt projections initially fail to stabilise, and South Africa drops into the single B credit ratings from all three of the key credit rating agencies for local and foreign currency sovereign debt. However, fiscal consolidation ultimately occurs, preventing South Africa's credit ratings from falling into the C grades. Expropriation of private sector property is very limited and has a modestly negative impact on the economy. Business confidence is depressed, with significant load shedding, weak investment growth, civil and political unrest and a recession. Substantial Rand weakness drives high inflation, along with unfavourable weather conditions. Little transition to renewable energy is apparent, while there is increased pressure on government finances from disaster relief due to unfavourable weather conditions driven by climate change. As at 31 March 2022, the weighting of the lite down case was 40%, while at 31 March 2021 it was 44%, with the lower probability on 31 March 2022 mainly due to the improvement in government finances in the period.

The severe down case is characterised by a lengthy global recession and/or global financial crisis, with insufficient monetary and other policy support measures. A depression occurs in the South African economy. Expropriation of private commercial sector property without compensation falls under this scenario, with a marked negative impact on the economy, along with widespread services load shedding, strike action and civil unrest. The state borrows from increasingly wider sources as it sinks deeper into a debt trap. South Africa is rated single B from all three key credit rating agencies, with further rating downgrades into CCC grade and the increased risk of default. Severe Rand weakness is a feature as well as very high domestic inflation, which is also affected by severely unfavourable weather conditions. There is a failure to transition to renewable energy and to implement sufficient measures to alleviate the impact of climate change on the economy. At 31 March 2022, the scenario weighting of the severe down case was 6%, increased from 5% on 31 March 2021 due to some concession to the broadening of the invasion of Ukraine towards a World War III scenario.

The up case is depicted by rising confidence and investment levels as structural constraints to sustained, robust economic growth is increasingly eroded, in an environment of strong global and domestic growth, and the global financial market is risk-on. Low domestic inflation occurs on Rand strength, along with favourable weather conditions for moderate food price inflation. A substantial transition to renewable energy, and a move away from fossil fuel usage occurs, along with comprehensive measures to alleviate the impact of climate change on the economy. There is no nationalisation or expropriation without compensation. No further credit rating downgrades occur and instead the rating outlooks become positive on strong fiscal consolidation (government debt projections fall substantially). As at 31 March 2022, the scenario weighting was 2%, the same as at 31 March 2021.

The extreme up case is an acceleration of the up case. Good governance and growth-creating reforms which overcome structural constraints rapidly occur. Business confidence is high, property rights are strong, fixed investment growth rates are very strong, while substantial FDI inflows occur, along with strong fiscal consolidation (and government debt falls back to the low ratios of the early 2000s). Domestic economic growth of 3-5%, then 5-7%, is achieved under this scenario and credit rating upgrades occur. Very subdued domestic inflation on extreme Rand strength is a feature, along with a strong transition away from fossil fuel usage, a quick transition to renewable energy and very favourable weather conditions. There is strong global growth and a commodity boom in this scenario too. This scenario retains a weighting of 1% as the exact domestic characterisations currently retain a very low probability.

The graph below depicts South African GDP growth forecast under the macro-economic scenarios applied at 31 March 2022.



MACRO-ECONOMICS
CONTINUED

The table below shows the key factors that form part of the macro-economic scenarios and the relative applied weightings of these scenarios.

Macro-economic scenarios	At 31 March 2022 average 2022 – 2027					At 31 March 2021 average 2021 – 2026				
	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
South Africa										
GDP growth	6.1	4.4	2.4	1.0	(0.6)	5.5	4.4	2.7	1.8	(0.5)
Repo rate	3.9	4.6	6.0	6.5	7.5	3.5	3.8	4.7	5.0	5.6
Bond yield	7.9	9.1	9.7	10.4	11.8	9.2	9.5	10.4	11.1	11.9
CPI inflation	3.8	4.4	4.9	5.6	6.9	4.0	4.5	4.9	5.4	6.1
Residential property price growth	7.4	6.3	4.8	4.0	2.5	7.1	6.3	5.3	4.1	2.6
Commercial property price growth	5.9	1.8	0.7	(1.4)	(2.6)	3.6	2.1	0.6	(1.0)	(2.7)
Exchange rate (South African Rand:US Dollar)	12.5	14.2	15.6	16.9	19.9	12.0	13.6	15.8	17.7	18.4
Scenario weightings	**1**	**2**	**51**	**40**	**6**	**1**	**2**	**48**	**44**	**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.

Base case %	Financial years 2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
South Africa					
GDP growth	1.9	2.2	2.3	2.6	2.9
Repo rate	4.9	5.8	6.3	6.5	6.5
Bond yield	10.0	9.9	9.6	9.6	9.6
CPI inflation	5.3	4.5	4.7	5.0	5.0
Residential property price growth	4.6	4.6	4.9	5.1	5.1
Commercial property price growth	(2.4)	0.1	1.2	2.0	2.6
Exchange rate (South African Rand:US Dollar)	15.1	15.4	15.7	15.9	16.0

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, residential and commercial property price growth (year-on-year), lowest level of CPI inflation (year-on-year), bond yield, exchange rate and repo rate. Downside scenario values represent the worst outcomes being lowest quarterly level of GDP, residential and commercial property price growth (year-on-year), highest level of CPI inflation (year-on-year), bond yield, exchange rate and repo rate.

Five-year extreme points At 31 March 2022	Extreme up case %	Up case %	Baseline: Base case five-year average %	Lite down case %	Severe down case %
South Africa					
GDP growth	7.8	5.8	2.4	(0.3)	(3.9)
Repo rate	3.5	4.0	6.0	7.3	9.0
Bond yield	7.2	8.9	9.7	10.7	12.1
CPI inflation	3.1	3.8	4.9	6.1	7.5
Residential property price growth	9.0	7.2	4.8	3.3	1.6
Commercial property price growth	9.8	3.6	0.7	(4.4)	(5.0)
Exchange rate (South African Rand:US Dollar)	11.0	13.4	15.6	17.6	21.5

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 on our 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 Investec plc 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.	• Participated in the SARB climate-related stress tests for capital, and 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 • Implement automated ESG screening, measurement and reporting within our South African operations • 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 comprised 2.8% 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.

Investec Limited holds a 47.4% stake in the IEP Group alongside third party investors and senior management of the business who collectively hold the remaining 52.6%. The investment in the IEP Group is reflected as an investment in an associate.

Following the distribution that took place on 31 May 2022, Investec retains a c.10% shareholding in Ninety One (previously known as Investec Asset Management) as an investment, all held within Investec plc (31 March 2022: 25% holding, 15% and 10% in UK and South Africa respectively).

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 South Africa and provide oversight of the regions where we assume investment risk.

Nature of investment risk	Management of risk
Principal investments	Investment committees, IBL, IBP and DLC BRCCs
Listed equities	Investment committees, market risk management, IBL, IBP and DLC BRCCs
Profit shares and investments arising from lending transactions	Investment committees, credit risk management committees, IBL, IBP and DLC BRCCs
Investment and trading properties	Investment committees, Investec Property Group Investment Committee, IBL, IBP and DLC BRCCs
IEP Group	A number of our executives are on the Board of the IEP Group, IBL BRCC and DLC BRCC

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 IBL, 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 52 to 56 and pages 90 to 97 of the Investec Group's 2022 annual financial statements for factors and sensitivities taken into consideration in determining fair value

INVESTMENT RISK
CONTINUED

Summary of investments

The balance sheet value of investments is indicated in the table below.

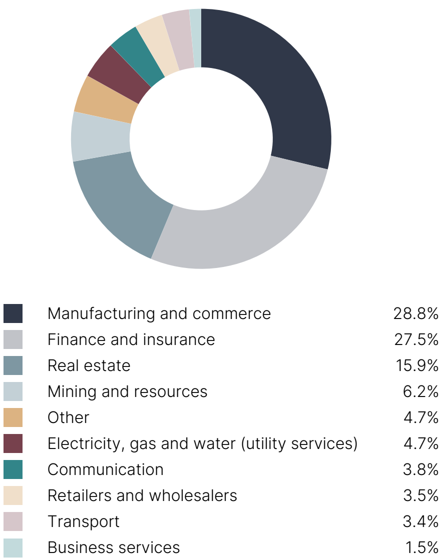
£'million Country/category	On-balance sheet value of investments 31 March 2022	On-balance sheet value of investments 31 March 2021
Unlisted investments	**612**	**626**
UK and Other	336	346
Southern Africa*	276	280
Listed equities	**29**	**39**
UK and Other	2	10
Southern Africa	27	29
Investment and trading properties	**356**	**369**
UK and Other	4	25
Southern Africa^	352	344
Warrants and profit shares	**6**	**5**
UK and Other	6	5
IEP Group	**283**	**251**
Southern Africa	283	251
Ninety One	**383**	**363**
UK and Other	230	237
Southern Africa	153	126
Total	**1 669**	**1 653**

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 24.3% (31 March 2021: 24.3%).
* Includes the fair value loans investments of £116 million (31 March 2021: £121 million) to reflect our economic ownership as explained above.

An analysis of the unlisted investments, listed equities, warrants and profit shares and the IEP Group

31 March 2022

£930 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.

UK and Other

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 that follows.

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%.

South Africa

In South Africa we engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile, but provides additional flexibility and a source of liquidity. We do not depend on special purpose vehicles for funding in the normal course of business. These entities form part of the consolidated Group balance sheet as reported.

We have securitised assets originated by our Private Client business in South Africa. The primary motivations for the securitisation of these assets are to:

- Provide an alternative source of funding
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios
- Continue to create marketable instruments through self securitisation.

Total assets that have been originated and securitised by the Private Client division amount to R7.2 billion at 31 March 2022 (31 March 2021: R8.2 billion) and consist mainly of residential mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R11 million notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R92 million notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R0.9 billion notes of the original R1.0 billion are still in issue. R337 million of the notes are held internally. Historical notes of R2.0 billion were redeemed and refinanced in October 2021
- Fox Street 4: R0.9 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.1 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R0.7 billion notes of the original R1.3 billion are still in issue. R320 million of the notes are held internally
- Fox Street 7: R0.7 billion notes of the original R1.1 billion are still in issue. No notes are held internally
- Grayston Drive Autos: R2.4 billion notes of the original R2.4 billion are still in issue. R325 million of the notes are held internally
- Richefond Circle: R 1.1 billion notes of the original R1.1 billion are still in issue. R2 million of notes held internally.

There is a clean-up call option that can be exercised at 10% of original notes issued. The margin on the notes increases at pre-specified intervals and coincides with the originator call option dates.

Refer to page 57

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These are unrated South African RMBS totalling R1.6 billion at 31 March 2022 (31 March 2021: R1.2 billion).

Accounting policies

Refer to page 53 of the Investec Group's 2022 annual financial statements

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's own originated assets are assessed in terms of the credit risk management philosophies and principles as set out above

SECURITISATION/STRUCTURED CREDIT
CONTINUED

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. Assets that have been securitised by our private client division in Southern Africa are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities. These assets are reflected on the balance sheet line item 'own originated loans and advances to customers' totalling £376 million at 31 March 2022 (31 March 2021: £402 million).

Analysis of gross structured credit exposure

Nature of exposure/activity	31 March 2022 £'million	31 March 2021 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	511	698	Other debt securities and other loans and advances	
<40% RWA	505	673		
>40% RWA	6	25		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	7	7	Other loans and advances	
Private client division assets which have been securitised	376	402	Own originated loans and advances to customers	Analysed as part of the Group's overall asset quality on core loans as reflected on pages 29 to 41

£'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
South African RMBS	—	—	—	—	—	—	—	82	82
Total at 31 March 2022	**282**	**83**	**16**	**—**	**—**	**—**	**381**	**130**	**511**
Investec plc	282	83	16	—	—	—	381	48	**429**
<40% RWA	282	83	15	—	—	—	380	43	423
>40% RWA	—	—	1	—	—	—	1	5	6
Investec Limited	—	—	—	—	—	—	—	82	**82**
<40% RWA	—	—	—	—	—	—	—	82	82
>40% RWA	—	—	—	—	—	—	—	—	—
Total at 31 March 2021	**376**	**234**	**7**	**1**	**—**	**—**	**618**	**80**	**698**
Investec plc	376	173	7	1	—	—	557	18	575
Investec Limited	—	61	—	—	—	—	61	62	123

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.

In South Africa, the gradual return to stable conditions post the global COVID-19 pandemic was impacted by inflation concerns as well as geo-political risks towards the end of the trading year. Despite the increased volatility experienced in recent months, the local currency remained resilient. As client flow trading activity remains the focus of the business, directional exposures were kept to a minimum.

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

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams in the UK and South Africa. These teams report into risk management in either the UK or South Africa where limits are approved, managed and monitored.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBP and IBL ERCs, 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 IBL ERC in South Africa and at IBP ERC in the UK 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 IBL and IBP Review Executive Risk Review Forum (IBP Review ERRF) and (IBL Review ERRF) weekly as well as IBL BRCC 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.

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

MARKET RISK
CONTINUED

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. In South Africa, the resultant one-day VaR is scaled up using the square root of time for regulatory purposes

- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval.

Expected shortfalls are also monitored daily at the 95% and 99% levels, being the average of the losses in the tail of the VaR distribution.

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

	31 March 2022				31 March 2021			
95% one-day VaR	**Year end**	Average	High	Low	**Year end**	Average	High	Low
UK and Other								
Equities (£'000)	381	479	742	335	435	828	2 021	302
Foreign exchange (£'000)	5	9	69	1	10	11	47	1
Interest rates (£'000)	21	28	172	8	42	52	94	17
Credit (£'000)	1	13	89	1	62	213	455	42
Consolidated (£'000)*	**370**	**469**	**699**	**340**	**456**	**896**	**2 155**	**289**
South Africa								
Commodities (R'million)	0.2	0.7	1.5	0.2	0.4	0.2	0.7	0.0
Equities (R'million)	3.1	4.5	7.1	2.9	5.1	5.9	10.2	3.4
Foreign exchange (R'million)	0.3	0.8	3.8	0.1	0.3	0.8	8.4	0.1
Interest rates (R'million)	5.4	4.5	9.0	2.0	1.8	3.9	7.7	1.8
Consolidated (R'million)*	**4.8**	**5.8**	**10.8**	**3.3**	**5.5**	**7.6**	**12.8**	**4.9**

* 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	**31 March 2022**	31 March 2021
UK and Other		
Equities (£'000)	530	901
Foreign exchange (£'000)	7	20
Interest rates (£'000)	36	66
Credit (£'000)	1	102
Consolidated (£'000)*	**525**	**941**
South Africa		
Commodities (R'million)	0.4	0.9
Equities (R'million)	7.5	8.3
Foreign exchange (R'million)	0.4	0.5
Interest rates (R'million)	8.0	4.4
Consolidated (R'million)*	**9.2**	**9.7**

* 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.

MARKET RISK
CONTINUED

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.

99% one-day sVaR	31 March 2022	31 March 2021
UK and Other (£'000)	**858**	**722**
South Africa (R'million)	**18.5**	**12.5**

Backtesting

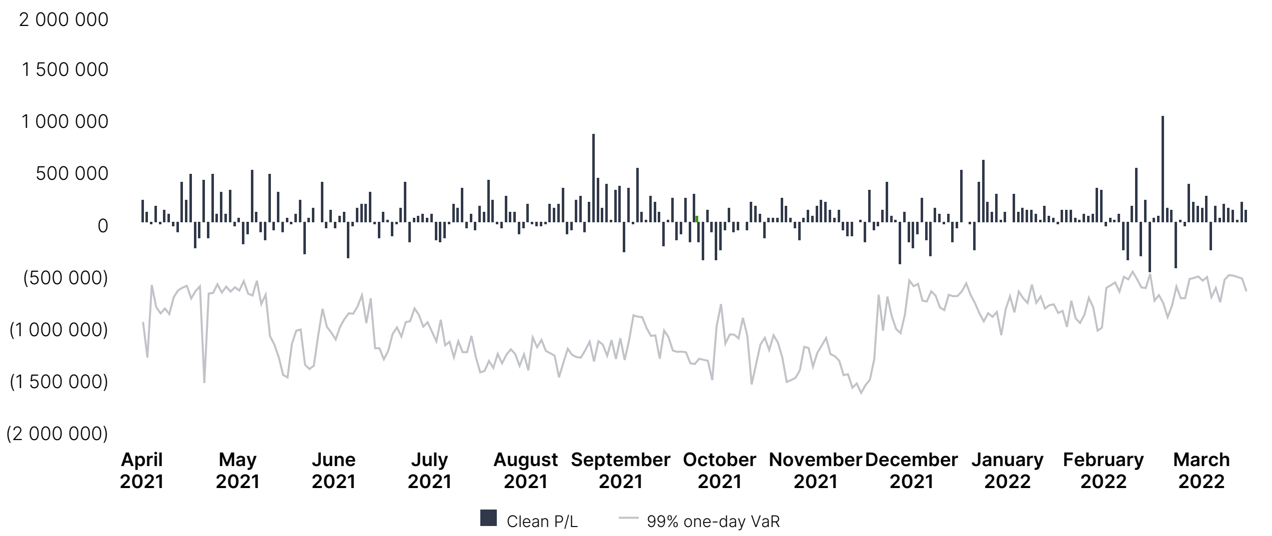
The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, 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 graphs that follow show 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.

UK and Other

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 (£)

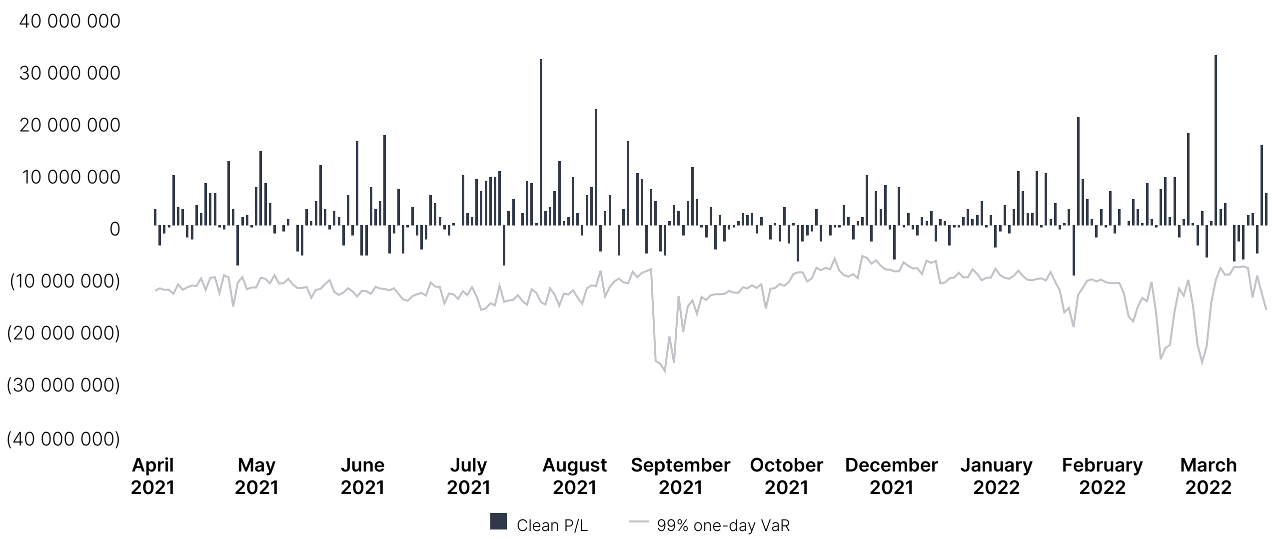


MARKET RISK
CONTINUED

South Africa

The average VaR for the year ended 31 March 2022 in the trading book was lower than for the year ended 31 March 2021. Using clean profit and loss data for backtesting resulted in no exceptions over the year (as shown in the graph below), which is below the expected number of two to three exceptions over a one year period that a 99% VaR model implies.

99% one-day VaR backtesting (Rand)



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.

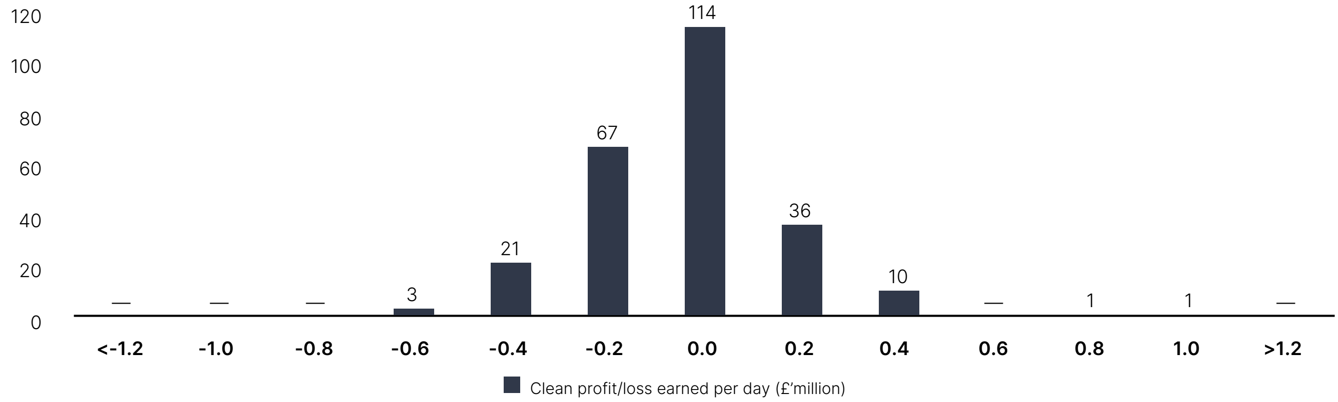
99% EVT	31 March 2022	31 March 2021
UK and Other		
Equities (£'000)	1 503	5 315
Foreign exchange (£'000)	15	79
Interest rates (£'000)	182	134
Credit (£'000)	2	366
Consolidated (£'000)#	**1 420**	**5 335**
South Africa		
Commodities (R'million)	1.3	5.0
Equities (R'million)	7.6	26.4
Foreign exchange (R'million)	0.8	2.0
Interest rates (R'million)	21.6	22.8
Consolidated (R'million)#	**25.3**	**27.6**

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

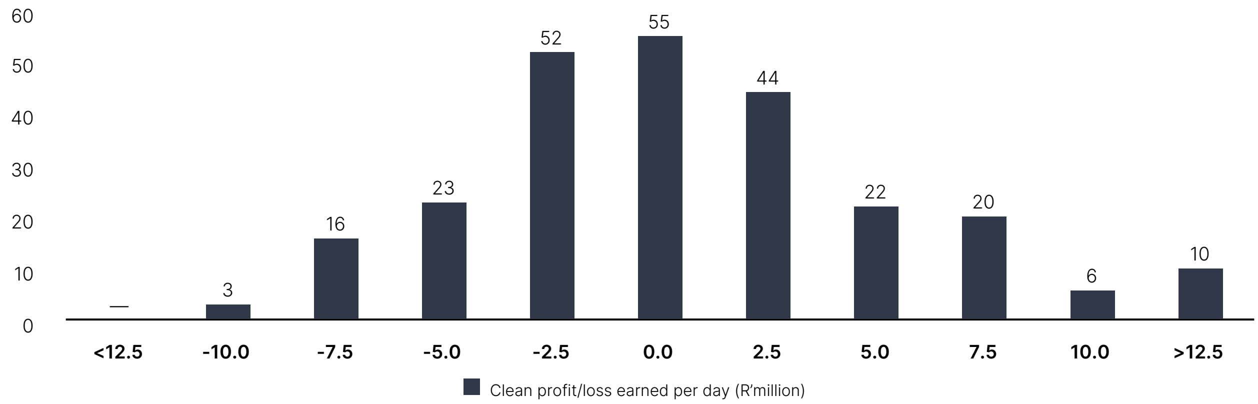
Clean profit and loss histograms
UK and Other
The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 162 days out of a total of 253 days in the trading business. The average daily 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

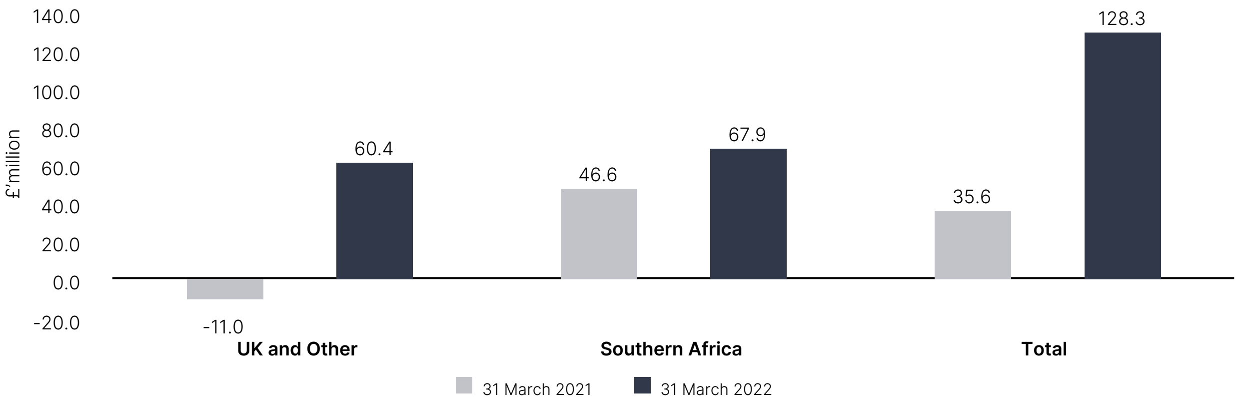


South Africa
The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 157 days out of a total of 251 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2022 was R2.2 million (year to 31 March 2021: R0.5 million).

Clean profit and loss
Frequency: Days in the year



Revenue arising from customer flow trading activities



MARKET RISK
CONTINUED

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 104 of the Investec Group's 2022 annual financial statements.

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) 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 teams are based within Group risk management in their relevant regions and are 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, IBL Review ERRF, IBP Review ERRF, IBL ERC, IBP ERC, IBL BRCC, 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, South African PA, BOM, 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.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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)
- In South Africa, modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions
- 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
- 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.

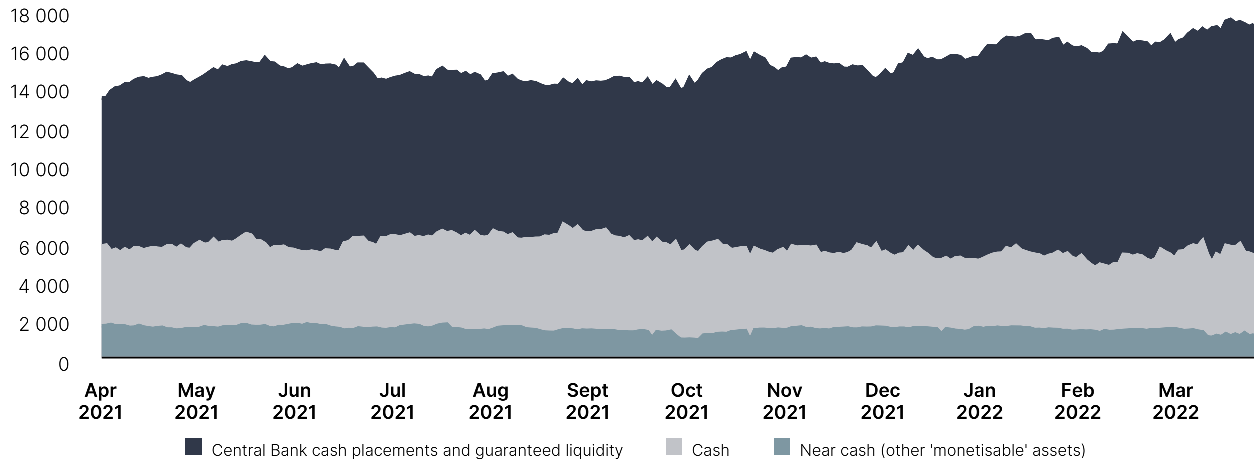
Liquidity buffer

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 2021 to 31 March 2022 average cash and near cash balances over the period amounted to £15.1 billion (£7.5 billion in UK and Other; R154.6 billion in South Africa).

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Investec Group cash and near cash trend
£'million

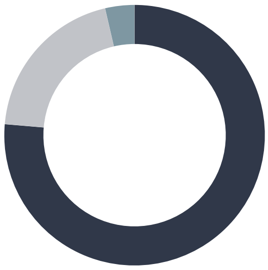


An analysis of cash and near cash at 31 March 2022

Total Group
£17 161 million

Central Bank cash placements and guaranteed liquidity	69.5%
Cash	24.1%
Near cash (other 'monetisable' assets)	6.4%

Investec plc
£8 871 million



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

Investec Limited
R159 454 million

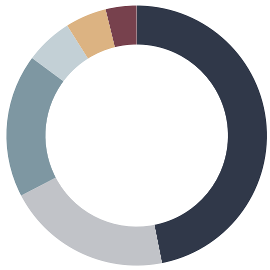
Central Bank cash placements and guaranteed liquidity	62.2%
Cash	28.4%
Near cash (other 'monetisable' assets)	9.4%

Bank and non-bank depositor concentration by type at 31 March 2022

UK and Other
£20 321 million

Individuals	56.9%
Other financial institutions and corporates	28.6%
Banks	10.0%
Small business	4.5%

South Africa
R442 185 million



Non-bank financials	46.9%
Individuals	20.5%
Non-financial corporates	17.8%
Public sector	5.9%
Banks	5.1%
Small business	3.8%

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Contingency planning
The Group maintains contingency funding plans which detail the course of actions that can be taken in the event of a liquidity stress. The plans help 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 plans include:

- 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 plans have been tested within our core jurisdictions via externally facilitated liquidity crisis simulation exercises which assess the Group's sustainability and ability to adequately contain a liquidity stress.

In the UK, 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 83

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.

Within the UK, 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 102 of the Investec Group's 2022 annual financial statements 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 across our core geographies.

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

In South Africa, the balances will not agree directly to those disclosed in the balance sheet due to the inclusion of loans to Group companies in the other asset line.

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.

UK and Other
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

Southern Africa
Contractual liquidity at 31 March 2022

R'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	30 330	927	412	—	—	—	—	31 669
Cash and short-term funds – non-banks	10 516	301	204	59	—	1 291	805	13 176
Investment/trading assets and statutory liquids	80 925	66 861	8 390	6 278	6 219	37 597	19 867	226 137
Securitised assets	595	78	158	233	455	2 726	3 575	7 820
Advances	4 253	8 524	8 586	11 215	21 523	122 319	116 109	292 529
Other assets	1 888	10 408	1 460	677	(766)	4 911	8 080	26 658
Assets	**128 507**	**87 099**	**19 210**	**18 462**	**27 431**	**168 844**	**148 436**	**597 989**
Deposits – banks	(163)	(1 606)	(183)	(89)	—	(20 195)	—	(22 236)
Deposits – non-banks	(193 381)	(19 781)	(67 073)	(39 447)	(42 133)	(53 932)	(4 201)	(419 948)
Negotiable paper	—	(218)	(1 357)	(674)	(683)	(3 689)	(986)	(7 607)
Securitised liabilities	—	—	—	—	—	(1 747)	(2 838)	(4 585)
Investment/trading liabilities	(5 833)	(7 750)	(3 877)	(2 346)	(6 146)	(24 542)	(187)	(50 681)
Subordinated liabilities	—	(1 468)	(2 874)	—	(2 209)	(4 171)	—	(10 722)
Other liabilities	(1 811)	(7 338)	(1 334)	(464)	(451)	(426)	(7 857)	(19 681)
Liabilities	**(201 188)**	**(38 161)**	**(76 698)**	**(43 020)**	**(51 622)**	**(108 702)**	**(16 069)**	**(535 460)**
Total equity	—	—	—	—	—	—	(62 529)	(62 529)
Contractual liquidity gap	**(72 681)**	**48 938**	**(57 488)**	**(24 558)**	**(24 191)**	**60 142**	**69 838**	**—**
Cumulative liquidity gap	(72 681)	(23 743)	(81 231)	(105 789)	(129 980)	(69 838)	—	

Behavioural liquidity at 31 March 2022
As discussed on page 68.

R'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	**81 533**	**7 156**	**(1 325)**	**(2 649)**	**(5 243)**	**(165 160)**	**85 688**	**—**
Cumulative	81 533	88 689	87 364	84 715	79 472	(85 688)	—	

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

The tables that follow show our non-trading interest rate mismatch assuming no management intervention.

UK and Other
Interest rate sensitivity gap at 31 March 2022

£'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	—	

Southern Africa
Interest rate sensitivity gap at 31 March 2022

R'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	18 350	863	351	—	—	10 642	30 206
Cash and short-term funds – non-banks	13 095	58	—	—	—	23	13 176
Investment/trading assets and statutory liquids	80 196	19 085	9 611	26 430	17 540	44 326	197 188
Securitised assets	7 820	—	—	—	—	—	7 820
Advances	267 493	6 208	1 365	15 551	655	1 253	292 525
Other assets	7 495	(790)	(2 198)	2 198	(288)	9 114	15 531
Assets	**394 449**	**25 424**	**9 129**	**44 179**	**17 907**	**65 358**	**556 446**
Deposits – banks	(18 223)	(89)	(7)	(3 515)	—	(22)	(21 856)
Deposits – non-banks	(337 555)	(20 557)	(26 572)	(14 846)	(1 647)	(18 771)	(419 948)
Negotiable paper	(2 682)	(85)	(683)	(4 037)	—	(120)	(7 607)
Securitised liabilities	(4 585)	—	—	—	—	—	(4 585)
Investment/trading liabilities	(1 874)	—	(10)	(1 118)	—	(5 879)	(8 881)
Subordinated liabilities	(8 109)	—	(1 584)	(1 023)	—	(6)	(10 722)
Other liabilities	(6 932)	—	—	—	—	(12 168)	(19 100)
Liabilities	**(379 960)**	**(20 731)**	**(28 856)**	**(24 539)**	**(1 647)**	**(36 966)**	**(492 699)**
Total equity	(2 113)	—	—	—	—	(60 416)	(62 529)
Balance sheet	**12 376**	**4 693**	**(19 727)**	**19 640**	**16 260**	**(32 024)**	**1 218**
Off-balance sheet	15 702	(412)	18 167	(19 289)	(15 386)	—	(1 218)
Repricing gap	**28 078**	**4 281**	**(1 560)**	**351**	**874**	**(32 024)**	**—**
Cumulative repricing gap	28 078	32 359	30 799	31 150	32 024	—	

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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 tables below reflect 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.

UK and Other

	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

Southern Africa

	Sensitivity to the following interest rates (expressed in original currencies)						
million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	**All (ZAR)**
200bps down	87.0	0.8	(3.0)	0.2	—	0.7	60.4
200bps up	(138.1)	(0.7)	4.9	(0.8)	—	(8.1)	(101.4)

Interest rate risk – JIBAR reform

In 2020, the SARB announced that JIBAR would be phased out over time, as it does not comply with the 'Principles for Financial Benchmarks' set out by the International Organisation of Securities Commissions (IOSCO).

The SARB established a Market Practitioners Group (MPG) drawn from a diverse set of market practitioners. The MPG concluded its work on identifying a potential successor rate for JIBAR and has identified the South African Rand Overnight Index Average Rate (ZARONIA) as the most appropriate near risk-free rate that should replace JIBAR. ZARONIA forms part of a suite of interest rate benchmarks that will be administered by the SARB.

The SARB intends to commence publishing ZARONIA daily to allow market participants to observe the rate and implement measures to promote its adoption.

As it is critical that domestic financial markets are systematically transitioned to the successor rate, the MPG will now consider various aspects of the transition and to implement a programme of action that minimises any disruption to market functioning and addresses any hurdles that may ensue. The MPG will focus on specific transition issues related to the adoption of the new reference rate with workstreams around derivatives, legal and accounting and tax.

A 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, IBP BRCC and IBL ERC.

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 instruments transition to risk-free rates.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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

UK and Other

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

South Africa

At 31 March 2022	GBP IBOR - no. of trades	GBP - Notional value (R'million)	USD IBOR - no. of trades	USD - Notional value (R'million)	Other IBOR - no. of trades	Other - Notional value (R'million)
Derivatives	13	1 577	492	89 370	—	—
Other debt securities	—	—	8	667	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	14	731	—	—
Loans and advances to customers	2	514	120	8 174	1	—
Of which undrawn	1	26	5	117	2	406
Customer accounts (deposits)	—	—	54	17 073	—	—
Preference shares	—	—	4	2 796	—	—

At 31 March 2021	GBP IBOR - no. of trades	GBP - Notional value (R'million)	Other IBOR - no. of trades	Other - Notional value (R'million)
Pre-2022 dated instruments				
Derivatives	26	8 158	109	31 291
Other debt securities	—	—	1	111
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	18	2 637
Loans and advances to banks	—	—	2	519
Loans and advances to customers	33	1 556	118	9 570
Of which undrawn	4	177	12	1 388
Customer accounts (deposits)	427	1 269	2 451	12 898
Post-2022 dated instruments				
Derivatives	45	8 030	399	64 910
Bank debt securities	—	—	17	496
Other debt securities	2	931	4	2 256
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	11	2 266
Loans and advances to customers	154	7 396	162	11 728
Of which undrawn	7	1 608	13	1 784
Customer accounts (deposits)	6	30	89	15 812

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.

UK and Other
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.

Southern Africa
South Africa, a member of the G20, has adopted the published BCBS guidelines for 'liquidity risk measurement standards and monitoring'.

There are certain shortcomings and constraints in the South African environment and the banking sector in Southern Africa is characterised by certain structural features such as:

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- Although there is currently no 'deposit protection scheme' in South Africa, as part of the broader Financial Sector Laws Amendment Act, South Africa is in the final stages of implementing a deposit insurance scheme, aimed at improving the financial system's ability to absorb shocks by improving depositor confidence. The Cooperation for Deposit Insurance, in consultation with National Treasury, will publish an implementation time table for the scheme.

There are various regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy. Namely, the South African exchange control regulations that limit capital flows, along with prudential requirements on financial corporates.

A positive consequence of the above is that the Rand funding the South African banks use is contained within the financial system and therefore the Rand is unlikely to be drained by currency withdrawal from offshore sources, or placements in offshore accounts.

To address this systemic challenge, the South African PA exercised national discretion and has announced a change to the available stable funding factor to include 35% of financial sector deposits that are less than six months in tenor. This, in turn, would reduce the amount of term deposits greater than six months in tenor, currently required by local banks to meet the NSFR, mitigating any increases in the overall cost of funds.

Despite the above constraints, IBL comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratios into our processes. The South African PA is of the view that the LCR COVID-19 relief measure is no longer necessary and the minimum LCR requirement has been revised from 80% to 90% from 1 January 2022 and back to 100% from 1 April 2022. The minimum requirement for the NSFR is 100%.

The South African PA noted that the South African HQLA shortage has continued to decrease such that the continued provision of the Committed Liquidity Facility (CLF) was unlikely to meet the qualifying criteria set out in the Basel III Framework and subsequently announced it would phase out the CLF by December 2021. IBL does not currently make use of the CLF.

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.

UK and Other
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.

Southern Africa
The South African PA has announced that it will adopt the new Interest Rate Risk in the Banking Book (IRRBB) regulatory reforms as outlined in BCBS 368. Implementation of new IRRBB standards is scheduled for December 2022, allowing for a year parallel run with the regulatory compliance deadline. The industry expects public IRRBB disclosure to follow thereafter. IBL currently submits relevant regulatory output to the South African PA on a monthly basis and aims to be compliant with all aspects of the new IRRBB regulatory reforms when formally adopted by the South African PA.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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.

UK and Other
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 UK and Other customer deposits was £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 4 for further detail on credit ratings

Southern Africa
We entered the year with a comfortable liquidity position given our philosophy of funding through the cycle. Due to the improving outlook regarding the COVID-19 pandemic, the SARB reversed the COVID-19 LCR relief measure introduced at the beginning of the pandemic with the minimum LCR requirement increased from 80% to 90% from 1 January 2022 and to 100% from 1 April 2022. The central bank continued providing term secured funding facilities to banks throughout the period.

Record low interest rates continued for most of the year. As inflationary pressures grew in Q4 2021, we witnessed the start of interest rate normalisation with the first interest rate hike in November 2021.

Funding continues to be raised through a diverse mix of customer liabilities by customer type, currency, channel and tenor. Our focus remains strengthening the Group’s structural funding profile through growing the retail deposit base and introducing a transactional deposit offering. Activity in the wholesale markets over the financial year has increased but we continue to look for opportunities to raise low-cost funding where appropriate and carefully manage maturity profiles across all major currencies. We continue to closely monitor our cost of funding as this has a direct impact on our ability to write assets at competitive levels.

We maintained a pool of strategic long-term non-ZAR funding from diversified sources and new channels across the globe. IBL grew its total customer deposits by 12.2% from R374.4 billion to R420.1 billion at 31 March 2022. Our private client funding initiatives had a pleasing year in the face of increased competition for retail deposits and uncertainty brought about by the COVID-19 pandemic, delivering substantial growth to close the year at R167.9 billion in line with strategic funding objectives. We continue to see deposit growth from our Private Banking franchise led by client acquisition.

Cash and near cash balances on 31 March 2022 amounted to R159.5 billion (31 March 2021: R129.8 billion). This enabled IBL to comfortably navigate the ongoing Covid-19 crisis and stand ready to grow core advances when our customers’ appetite for borrowing resumes. Relative to the previous financial year we noted a gradual increase in borrowing activity specifically in our Private Banking client base.

Consistent with our liquidity management philosophy, we delivered liquidity ratios well above the regulatory requirements. For IBL (consolidated Group), the 90-day simple average LCR ended the financial year at 138.9%. The structural funding ratio represented by the NSFR ended the year at 112.6% as at 31 March 2022.

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 and other disruptive events such as the civil unrest experienced in South Africa
- 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.

Damage to Physical Assets:
- Civil unrest experienced in South Africa in July 2021. Insurance mechanisms have proved effective in reducing the overall loss value.

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, STRATEGIC AND LEGAL RISK

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 Board. The Board delegates responsibility for implementation of the policy to the South African and UK head of legal risk respectively.

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 131 of the Investec Group's 2022 annual financial statements

COMPLIANCE

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.

UK and Other

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.

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

The FCA expects all institutions to have a robust conduct risk management framework in place to facilitate culture that delivers good outcomes for clients, counterparties and the markets and holds their staff and senior management to appropriate standards of competence, integrity and ethical behaviour. Specifically, UK institutions are expected to be able to demonstrate that their culture, governance and approach to rewarding and managing staff, are at all times aligned to the interests of customers and other stakeholders.

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

The FCA and PRA are proposing a number of changes to improve Diversity and Inclusion (D&I) in regulated firms. These proposals, if implemented, will require firms to demonstrate steps that are being taken to embed D&I into every aspect of their business, including Board and senior management composition and succession planning, remuneration and product governance. The regulators will also require firms to gather D&I related data, measure their performance against key D&I metrics and report on them to the regulators. The 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 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.

COMPLIANCE
CONTINUED

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

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

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

South Africa
Conduct risk and consumer protection
The South African regulators continue to work towards ensuring a financial system that is fair, efficient and resilient. Furthermore, the Financial Sector Conduct Authority (FSCA) continues to focus on ensuring that financial customers have access to financial products and services that are innovative, appropriate and that they are empowered to make informed financial decisions.

The FSCA's focus in the years ahead will be to implement the supervisory approaches to policy development, regulation and supervision to drive fair customer and market outcomes. The FSCA expects all licensed financial institutions to act with integrity and to treat their customers fairly. Furthermore, the FSCA expects financial institutions to have a culture that is conducive to consumer protection and market integrity, supported by a conduct risk framework.

As part of the FSCA's rolling out of conduct legislation, particularly for the banking sector, the FSCA finalised and enacted the Conduct Standard for Banks. The main objective of the Conduct Standard is to introduce requirements ensuring the fair treatment of customers of banks, in relation to the provision of financial products and financial services. The Conduct Standard for Banks is based on the principles of treating customers fairly (TCF) outcomes and it requires banks to conduct its business in a manner that prioritises the fair treatment of financial customers.

Investec remains highly focused on managing conduct risk across the organisation. Investec's approach to conduct risk is driven by its values and philosophies, which include 'client focus' and 'cast iron integrity'. The implementation of appropriate standards of conduct enables Investec and its subsidiaries to operate responsibly, appropriately and with integrity in the wholesale and retail markets with the fair treatment of customers being the highest priority. Investec Limited ensures that its products and services are scrutinised and regularly reviewed to ensure that they continue to deliver value and perform as expected. In addition, a conducive business environment has been created to enable client protection and market integrity within the financial markets that we operate in. This environment is supported with the appropriate conduct risk management framework and governance arrangements such as the Investec Limited Customer Market and Conduct Committee that is mandated by the Board to continuously review the conduct risk management of Investec to ensure that the best standards of market conduct, in its broadest form, are applied across the business.

Other significant, relevant regulatory developments impacting Investec include updates regarding the Code of Banking Practice, Retail Banking Diagnostic; Joint Standard Corporate governance and culture; Declaration of crypto assets as a financial product under the Financial and Intermediary Services Act; the Designation of Financial Benchmarks and the Financial Markets Act Review.

Since the remaining sections of the Protection of Personal Information Act (POPIA) became effective on 1 July 2021 the Information Regulator has issued a number of Guidelines, Guidance Notes and Notices relating to POPIA. The President has also appointed four members of the Information Regulator to begin a second term and a fifth part-time member has joined the Information Regulator with effect from 1 December 2021.

The Information Regulator is, among others, empowered to issue codes of conduct for different sectors and to make guidelines to assist organisations with the development and application for codes of conduct. The Banking Association of South Africa (BASA) has submitted a code of conduct to the

COMPLIANCE
CONTINUED

Information Regulator on behalf of member Banks. The purpose of a code of conduct is to establish a voluntarily accountability tool and to promote transparency on how personal information should be processed. A code of conduct will not replace the provisions in POPIA but operates in support of the requirements in POPIA.

The Information Regulator has also published regulations relating to the Promotion of Access to Information Act (PAIA) as well as a Guide to PAIA which sets out how a person may access his or her personal information in terms of POPIA.

Data protection remains a priority for Investec and a comprehensive data protection framework and risk management plans remain in place.

Financial crime

There has been significant coverage during the year on the economic and social impact of financial crime, especially corruption, within South Africa. Investec has closely monitored these developments to assimilate learnings into our AML, combating the financing of terrorism (CFT), sanctions and anti-bribery and corruption practices.

In October 2021, the Financial Action Task Force issued its mutual evaluation report on South Africa's AML and CFT measures. The findings, insofar as we could determine its relevance to Investec, have been factored into our financial crime roadmap to ensure that the items relevant to financial institutions are addressed.

We continue to evolve our practices to respond to industry developments whilst ensuring that we meet our regulatory obligations set out in the Financial Intelligence Centre Act (FICA).

Investec is an active participant in the South African Anti-Money Laundering Integrated Taskforce (SAMLIT), a public-private partnership whose membership includes certain banks, the Financial Intelligence Centre and other law-enforcement agencies. Our participation enables us to conduct investigations into targeted individuals believed to be involved in financial crime. Investec also led a working group researching the financial flows associated with illegal wildlife trade, which culminated in a report that has been internationally acclaimed as being ground-breaking into this particular predicate crime to money laundering.

Tax reporting (FATCA/CRS)

South Africa and Mauritius have inter-governmental agreements in place with the USA and each have enacted local law/regulation to implement FATCA. This allows South Africa and Mauritius to be treated as participating countries. This means that financial institutions in these countries report information annually on US clients (or non-compliant clients) to the South African Revenue Services (SARS) and the local Mauritian authority respectively. These authorities, in turn, exchange information with the USA which reciprocates with similar information (on South African and Mauritian tax residents respectively who hold financial accounts in the US). Both South Africa and Mauritius are in the process of preparing their annual FATCA reports.

The OECD took further steps to improve global cross-border tax compliance by releasing the 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. Both South Africa and Mauritius have opted to comply with the CRS, however South Africa opted for the 'wider-wider approach' which means that South African reporting financial institutions are required to collect tax-related information on all clients, rather than only in respect of the 102 countries which have currently opted into CRS. Both South Africa and Mauritius are in the process of preparing their annual CRS reports.

The OECD recently published Mandatory Disclosure Rules (MDR) that aim to provide tax administrations with information on CRS avoidance arrangements and opaque offshore structures, including the users of those arrangement and structures and those involved with facilitation. South Africa has incorporated the MDR into revised CRS Regulations and which reporting provisions come into effect on 1 March 2023.

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 recovery from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited. The plans are reviewed and approved by the Board on an annual basis.

The recovery plans for Investec plc and Investec Limited:

- Integrate with existing contingency planning
- Identify roles and responsibilities
- Identify early warning indicators and trigger levels
- Analyse how the Group could be affected by the stresses under various scenarios
- Include 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.

UK

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

Southern Africa

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The South African PA has adopted this requirement and has to date required domestically significant South African banking institutions to develop recovery plans. Guidance issued by the Financial Stability Board and the South African PA has been incorporated into the Group's recovery plan. The Financial Sector Laws Amendment Act was passed into law on 28 January 2022 and is part of the Twin Peaks reforms of the South African financial sector regulatory system and intends on reinforcing and strengthening financial stability in South Africa. The underlying policy's approach to resolution is contained in two policy papers, namely 'Strengthening South Africa's Resolution Framework for Financial Institutions' and 'Designing a Deposit Insurance Scheme for South Africa'. This policy is expected to be set out in regulations governing recovery and resolution. We will be subject to these regulations once they are promulgated.

Capital management and allocation

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, however, the governance of capital management is consistent across the two Groups. The DLC structure requires the two Groups to independently manage each Group's balance sheet and capital is managed on this basis.

This approach is overseen by the DLC BRCC (via the Investec DLC capital committee) which is a Board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

A summary of capital adequacy and leverage ratios

	Standardised		Increased AIRB scope		Standardised		Increased AIRB scope[vv]		FIRB	
	Investec plc[v]*	IBP[v]*	**Investec Limited*^**	IBL*^	**Investec plc[v]***	IBP[v]*	**Investec Limited*^**	IBL*^	**Investec Limited*^**	IBL*^
	31 March 2022				**31 March 2021**					
Common Equity Tier 1 ratio**	11.7%	12.4%	14.0%	15.8%	11.2%	12.0%	12.8%	14.0%	12.2%	13.3%
Common Equity Tier 1 ratio (fully loaded)***	11.3%	12.0%	14.0%	15.8%	10.7%	11.5%	12.8%	14.0%	12.2%	13.3%
Tier 1 ratio**	13.1%	13.9%	15.0%	16.6%	12.8%	13.6%	13.4%	14.4%	12.8%	13.7%
Total capital ratio**	16.8%	18.6%	17.5%	20.0%	15.1%	16.6%	16.6%	18.6%	16.0%	17.8%
Risk-weighted assets (million)**	16 980	16 462	319 048	286 903	16 332	15 789	336 629	314 843	351 125	329 366
Leverage exposure measure (million)^^	24 185	23 874	649 828	608 062	26 675	26 351	594 059	556 110	593 944	555 992
Leverage ratio^^	9.2%	9.6%	7.4%	7.9%	7.9%	8.1%	7.6%	8.1%	7.6%	8.1%
Leverage ratio (fully loaded)***	8.9%	9.3%	7.4%	7.9%	7.5%	7.8%	7.5%	8.1%	7.5%	8.1%

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

** The CET1, Tier 1 and total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes 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).

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £44 million (31 March 2021: £25 million) for Investec plc and £61 million (31 March 2021: £25 million) for IBP would lower the CET1 ratio by 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) respectively.

vv Investec Limited received approval to adopt the AIRB approach for the SME and Corporate models, effective 1 April 2021. We presented numbers on a pro-forma basis for 31 March 2021.

^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 134bps (31 March 2021: 39bps) and 69bps (31 March 2021: 48bps) lower respectively.

^^ 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

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 CRR and CRD IV, as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) 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.

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.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

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 11.7% from 11.2% at 31 March 2021. CET1 capital increased by £155 million to £2 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 £17 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
- 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 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 9.2% from 7.9.% 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.

Investec Limited
Current regulatory framework
Investec Limited applies the Basel Framework at every tier within the banking group and also on a fully consolidated basis. Investec Limited is regulated by the South African Prudential Authority (PA) in terms of the Banks Act 1990 (Act No. 94 of 1990) and the Regulations relating to Banks (the Regulations).

Investec Limited is designated by the South African PA, as a Systemically Important Financial Institution as well as a Domestically Significant Important Bank (D-SIB) in South Africa.

Investec Limited and its subsidiaries have not been designated as a Financial Conglomerate.

Regulated subsidiaries of Investec Limited are subject to additional regulations as implemented by local regulators in their respective jurisdictions. Management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

For the year ended 31 March 2022, Investec calculated its minimum capital requirements in respect of:

- Credit risk for Investec Bank Limited using a combination of the Internal Ratings-Based Approach (IRB), and the Standardised Approach (TSA)
- Credit risk for Investec Bank Mauritius and non-bank subsidiaries using the Standardised Approach
- Counterparty credit risk exposure using SA-CCR
- Operational risk capital requirement is calculated on the Standardised Approach
- Equity risk is calculated using the Internal Ratings-based approach by applying the simple risk-weight method
- Market risk, using an Internal Risk Management Model, approved by the South African PA.

Year under review
At 31 March 2022, the CET1 ratio increased to 14.0% from 12.2% at 31 March 2021. CET1 capital increased by R1.9 billion to R44.8 billion, largely affected by:

- Positive attributable earnings post-taxation and minorities of R5.5 billion
- Recovery of fair value through other comprehensive income reserve of R165 million, mainly as a result of the revaluation of OCI
- Decrease of R177 million in deduction for shortfall of eligible provisions compared to expected loss.

The increases were partially offset by:

- Total ordinary dividends paid to Limited shareholders of R2.4 billion
- An increase in treasury shares of R487 million
- Increase in deduction for investment in financial entities (investment in IEP) of R122 million
- Increase in deduction of R301 million for investment in capital in financial entities above 10% threshold (namely Ninety One and other bank sub-debt)
- R42 million increase in the PVA haircut.

Risk-weighted assets (RWAs) decreased by 9.1% from R351.1 billion (March 2021) to R319.0 billion (March 2022), predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, decreased by 10.6% or R34.0 billion. The decrease is largely as a result of the Corporate and SME Corporate portfolios migrating onto the AIRB methodology effective from 1 April 2021, improvement in the credit quality of the book and placement of cash in capital light instruments. A portion of our investment in Ninety One plc is deducted from CET1 capital and the balance included in equity risk, risk-weighted at 318%.

Market risk RWAs increased by 0.5% or R21 million. The reintroduction of the Pillar 2A add-on and an increase in the general risk component of the market risk capital calculation (VaR and stressed-VaR) was observed for the Equity Derivatives and Interest Rate Derivatives desks, contributing to the marginal increase in market risk.

Operational risk for Investec Limited increased by 7.2% or R1.9 billion. This calculation is updated biannually and is based on a three-year rolling gross income before impairments average balance.

The Group's leverage ratio decreased to 7.4% (March 2022) from 7.6% (March 2021).

Investec Limited made progress in the application to adopt AIRB for the measurement of capital on certain portfolios currently on the Foundation Internal Ratings Based (FIRB) approach. On full adoption of AIRB, the pro forma CET1 ratio would increase by 200bps at 31 March 2022.

Minimum capital requirement
Investec Limited's minimum CET1 requirement at 31 March 2022 is 8.0%, comprising a 4.5% Pillar 1 minimum requirement, a 0.5% Pillar 2A add-on, a 2.5% Capital Conservation Buffer (CCB), a 0.5% Domestically Systemically Important (D-SIB) Buffer and a 0% Countercyclical Capital Buffer (CCyB). South Africa has not announced any CCyB requirements for 2022. As at 31 March 2022, Investec Limited is holding an institution-specific CCyB, held for purposes of the reciprocity requirement, of 0% of risk-weighted exposures. As at 1 January 2022 the SA Pillar 2A rate has been fully reinstated to 1%, reverting to pre-COVID levels.

Regulatory developments
In response to pressures on banks' capital supply brought about by the COVID-19 pandemic, the South African PA implemented specific measures during 2020, to provide temporary capital and liquidity relief to enable banks to counter economic risks to the financial system.

Banks Act Directive 5 of 2021 was amended to reinstate the full Pillar 2A requirement, and also requires the D-SIB capital add-on to be fully met with CET1 capital from 1 January 2022.

The South African Financial Sector Laws Amendment Act was signed into law on 28 January 2022. This Act will enable the implementation of secondary legislation and standards (expected by Q4 2022), dealing with the resolution of systemic financial entities (most notably the issuance of financial loss absorbing capacity instruments (FLAC) and resolution planning requirements), and the Financial Sector and Deposit Insurance Levies Bill.

The South African PA has published, for public comment, a discussion paper titled 'Proposed principles and requirements for FLAC instruments'. This discussion paper sets out the SARB's proposals on the characteristics, calibration, and implementation period for FLAC instruments. The quantum and cost of FLAC instruments will depend on the final standards as set out by the Resolution Authority (RA) in consultation with banks.

The Financial Sector Levies Bill provides for the imposition and collection of levies for the benefit of the Financial Sector Conduct Authority, the Prudential Authority, the Financial Services Tribunal, the Ombud Council, the Office of the Pension Funds Adjudicator, and the Office of the Ombud for Financial Services Providers. Initial estimates for Investec Limited ranges between R51 million to R56 million per annum from 1 January 2023.

Prudential Communication 7 of 2021 outlines a high-level and indicative implementation roadmap for the revised market risk and credit valuation adjustment frameworks. This implementation roadmap addresses various structural, technical and operational milestones and is intended to guide project planning initiatives within the PA and across supervised banks ahead of and marginally beyond the implementation date of 1 January 2024. In all instances, unless otherwise stipulated, the regulatory reporting and capitalisation date against the prescriptive standards set out in the FRTB and CVA frameworks is 1 January 2024.

The Prudential Authority has published the 'Directive on the Principles for Operational Resilience'. The Directive directs banks to consider the adequacy and robustness of the banks' current policies, processes and practices related to operational resilience, against the best practices contained in the Basel Committee on Banking Supervision's paper on principles for operational resilience. All banks must comply with the respective requirements specified in

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

this Directive within 18 months (by the latest 14 June 2023) of the publication date 14 December 2021.

Directive 3/2022 was issued by the PA detailing the amendments to the Regulations published on 31 March 2022 and implemented on 1 April 2022, incorporating the revised Large Exposures (LEX) framework. The revised LEX framework specifies that the sum of all exposure values of a bank to a single counterparty or to a group of connected counterparties must not be higher than 25% of the bank's qualifying Tier 1 capital. The limit for domestic systemically important banks (D-SIB) (IBL is a D-SIB) is set at 20% from 1 April 2022 to 31 December 2022; it decreases to 18% until 31 December 2024; and then decreases to 15%. Any breach of the limit, which must remain the exception, must be communicated immediately to the PA and must be rapidly rectified.

The Basel III reform (commonly referred to as Basel IV) implementation date has been postponed in the EU, UK, Australia and Canada. Basel IV impacts capital demand requirements for credit risk and operational risk, and also introduces a new standardised capital floor for banks using the advanced approaches. Most of these reforms have been pushed out to 2024/2025 internationally.

Based upon, among others, industry comments and requests, quantitative impact studies, progress by member jurisdictions of the Basel Committee to implement the reforms, regulatory responses to the outbreak of COVID-19, and other matters related to implementation complexity, the South African PA proposes to implement the outstanding regulatory reform in South Africa on the dates set out in Guidance Note 4 of 2022. Most notably, the revised securitisation framework is proposed for 1 October 2022 and interest rate risk in the banking book proposed for 1 January 2023. The remainder of the regulatory reforms, such as the revised standardised approach and internal ratings based approach for credit risk, are proposed for 1 January 2024.

Investec Limited continues to assess and monitor the impact of new regulations and regulatory reforms through participation in industry quantitative impact studies submissions to the South African PA, contributing to industry consultations and discussions at the Banking Association of South Africa, and quantifying the impact of the reforms and presenting the impact on Investec Limited at capital committees and to the Board.

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

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

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the Group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the 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 each Group.
- The ICAAP is reviewed and approved by DLC BRCC and the Board.

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 each of the silos, Investec plc and Investec Limited, and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the DLC 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 or Investec Limited duress. The conditions are agreed by the DLC 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 DLC Capital Committee and DLC BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the DLC board, for considering the appropriate response.

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

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Capital structure and capital adequacy

	Standardised		Increased AIRB Scope	
At 31 March 2022	**Investec plc*v^ £'million**	IBP*v^ £'million	**Investec Limited*^^ R'million**	IBL*^^ R'million
Shareholders' equity	**2 384**	**2 276**	**46 232**	**44 280**
Shareholders' equity excluding non-controlling interests	2 429	2 296	49 118	44 280
Perpetual preference share capital and share premium	(25)	—	(2 886)	—
Deconsolidation of special purpose entities	(20)	(20)	—	—
Non-controlling interests	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	1	1	10 301	—
Non-controlling interests excluded for regulatory purposes	(1)	(1)	(10 301)	—
Regulatory adjustments to the accounting basis	**71**	**71**	**1 348**	**1 378**
Additional value adjustments	(6)	(6)	(261)	(231)
Gains or losses on liabilities at fair value resulting from changes in our credit	—	—	(12)	(12)
Cash flow hedging reserve	—	—	1 621	1 621
Adjustment under IFRS 9 transitional arrangements	77	77	—	—
Deductions	**(476)**	**(304)**	**(2 790)**	**(452)**
Goodwill and intangible assets net of deferred tax	(303)	(291)	(283)	(282)
Investment in financial entity	—	—	(871)	—
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(8)	(8)	—	—
Shortfall of eligible provisions compared to expected loss	—	—	(170)	(170)
Investment in capital of financial entities above 10% threshold	(160)	—	(1 291)	—
Other regulatory adjustments	—	—	(175)	—
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(5)	(5)	—	—
Common Equity Tier 1 capital	**1 979**	**2 043**	**44 790**	**45 206**
Additional Tier 1 capital	**250**	**250**	**3 064**	**2 560**
Additional Tier 1 instruments	250	250	5 996	2 560
Phase out of non-qualifying Additional Tier 1 instruments	—	—	(2 886)	—
Non-qualifying surplus capital attributable to non-controlling interest	—	—	(46)	—
Tier 1 capital	**2 229**	**2 293**	**47 854**	**47 766**
Tier 2 capital	**622**	**766**	**8 091**	**9 557**
Collective impairment allowances	—	—	425	424
Tier 2 instruments	766	766	10 722	9 133
Non-qualifying surplus capital attributable to non-controlling interests	(144)	—	(2 435)	—
Investment in capital of financial entities above 10% threshold	—	—	(621)	—
Total regulatory capital	**2 851**	**3 059**	**55 945**	**57 323**
Risk-weighted assets	**16 980**	**16 462**	**319 048**	**286 903**

* Where: IBP is Investec Bank plc consolidated. IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating CET1 capital. The impact of this deduction totalling £44 million for Investec plc and £61 million for IBP would lower the CET1 ratio by 28bps and 37bps respectively.

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

^^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 134bps and 69bps lower respectively.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Capital structure and capital adequacy

	Standardised		FIRB		Increased AIRB Scope^vv	
At 31 March 2021	Investec plc*^v^ £'million	IBP*^v^ £'million	Investec Limited*^^ R'million	IBL*^^ R'million	Investec Limited*^^ R'million	IBL*^^ R'million
Shareholders' equity	**2 223**	**2 106**	**44 292**	**43 881**	**44 292**	**43 881**
Shareholders' equity excluding non-controlling interests	2 256	2 114	47 331	45 362	47 331	45 362
Perpetual preference share capital and share premium	(25)	—	(3 039)	(1 481)	(3 039)	(1 481)
Deconsolidation of special purpose entities	(8)	(8)	—	—	—	—
Non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	—	—	10 083	—	10 083	—
Non-controlling interests excluded for regulatory purposes	—	—	(10 083)	—	(10 083)	—
Regulatory adjustments to the accounting basis	**99**	**99**	**1 308**	**1 337**	**1 308**	**1 337**
Additional value adjustments	(6)	(6)	(219)	(190)	(219)	(190)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	12	(12)	(12)	(12)	(12)
Cash flow hedging reserve	—	—	1 539	1 539	1 539	1 539
Adjustment under IFRS 9 transitional arrangements	93	93	—	—	—	—
Deductions	**(498)**	**(312)**	**(2 665)**	**(1 401)**	**(2 539)**	**(1 283)**
Goodwill and intangible assets net of deferred tax	(307)	(298)	(425)	(388)	(425)	(388)
Investment in financial entity	—	—	(749)	(667)	(737)	(656)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(12)	(12)	—	—	—	—
Shortfall of eligible provisions compared to expected loss	—	—	(346)	(346)	(239)	(239)
Investment in capital of financial entities above 10% threshold	(177)	—	(990)	—	(983)	—
Amount of deductions exceeding 15% threshold	—	—	—	—	—	—
Other regulatory adjustments	—	—	(155)	—	(155)	—
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(2)	(2)	—	—	—	—
Common Equity Tier 1 capital	**1 824**	**1 893**	**42 935**	**43 817**	**43 061**	**43 935**
Additional Tier 1 capital	**274**	**250**	**2 142**	**1 336**	**2 131**	**1 336**
Additional Tier 1 instruments	274	250	6 253	2 664	6 253	2 664
Phase out of non-qualifying Additional Tier 1 instruments	—	—	(4 048)	(1 328)	(4 048)	(1 328)
Non-qualifying surplus capital attributable to non-controlling interest	—	—	(63)	—	(74)	—
Tier 1 capital	**2 098**	**2 143**	**45 077**	**45 153**	**45 192**	**45 271**
Tier 2 capital	**366**	**473**	**10 956**	**13 370**	**10 559**	**13 370**
Collective impairment allowances	—	—	435	434	435	434
Tier 2 instruments	473	473	14 445	12 936	14 445	12 936
Non-qualifying surplus capital attributable to non-controlling interests	(107)	—	(3 378)	—	(3 779)	—
Investment in capital of financial entities above 10% threshold	—	—	(546)	—	(542)	—
Total regulatory capital	**2 464**	**2 616**	**56 033**	**58 523**	**55 751**	**58 641**
Risk-weighted assets	**16 332**	**15 789**	**351 125**	**329 366**	**336 629**	**314 843**

* Where: IBP is Investec Bank plc consolidated. IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating CET1 capital. The impact of this deduction totalling £25 million for Investec plc and £25 million for IBP would lower the CET1 ratio by 17bps and 16bps respectively.

vv Investec Limited received approval to adopt the AIRB approach for the SME and Corporate models, effective 1 April 2021. We present numbers on a pro-forma basis for 31 March 2021.

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

^^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 39bps and 48bps lower respectively.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Risk weighted assets

	Standardised		Increased AIRB Scope		Standardised		FIRB	
	Investec plc[*] £'million	IBP[*] £'million	**Investec Limited[*] R'million**	IBL[*] R'million	**Investec plc[*] £'million**	IBP[*] £'million	**Investec Limited[*] R'million**	IBL[*] R'million
	At 31 March 2022				**At 31 March 2021**			
Risk-weighted assets[**]	**16 980**	**16 462**	**319 048**	**286 903**	**16 332**	**15 789**	**351 125**	**329 366**
Credit risk	13 366	13 332	245 092	232 521	12 497	12 413	278 692	277 679
Equity risk	562	57	26 513	12 253	581	117	25 427	9 959
Counterparty credit risk	555	591	8 712	8 812	691	691	9 756	9 756
Credit valuation adjustment risk	103	103	5 410	5 462	59	59	5 892	5 892
Market risk	608	608	4 547	4 010	778	778	4 526	3 887
Operational risk	1 786	1 771	28 774	23 845	1 726	1 731	26 832	22 193

Capital requirements

	Standardised		Increased AIRB Scope		Standardised		FIRB	
	Investec plc[*] £'million	IBP[*] £'million	**Investec Limited[*] R'million**	IBL[*] R'million	**Investec plc[*] £'million**	IBP[*] £'million	**Investec Limited[*] R'million**	IBL[*] R'million
	At 31 March 2022				**At 31 March 2021**			
Capital requirements	**1 358**	**1 317**	**38 285**	**34 428**	**1 307**	**1 263**	**36 868**	**34 583**
Credit risk	1 069	1 066	29 410	27 904	1 000	992	29 263	29 156
Equity risk	45	5	3 182	1 470	46	10	2 670	1 046
Counterparty credit risk	44	47	1 045	1 057	55	55	1 024	1 024
Credit valuation adjustment risk	8	8	649	655	5	5	619	619
Market risk	49	49	546	481	63	63	475	408
Operational risk	143	142	3 453	2 861	138	138	2 817	2 330

Leverage ratios

	Standardised		Increased AIRB Scope		Standardised		FIRB	
	Investec plc[v*] £'million	IBP[v*] £'million	**Investec Limited R'million[*^]**	IBL R'million[*^]	**Investec plc[v*] £'million**	IBP[v*] £'million	**Investec Limited R'million[*^]**	IBL R'million[*^]
	At 31 March 2022				**At 31 March 2021**			
Tier 1 capital[**]	2 229	2 293	47 854	47 766	2 098	2 143	45 077	45 153
Total exposure measure[^^]	24 185	23 874	649 828	608 062	26 675	26 351	593 944	555 992
Leverage ratio[^^]	**9.2%**	**9.6%**	**7.4%**	**7.9%**	**7.9%**	**8.1%**	**7.6%**	**8.1%**
Tier 1 capital (fully loaded)[^^]	2 152	2 216	47 854	47 766	1 984	2 054	44 641	44 999
Total exposure measure (fully loaded)	24 108	23 797	649 828	608 062	26 582	26 258	593 981	555 992
Leverage ratio (fully loaded)[* ^^]**	**8.9%**	**9.3%**	**7.4%**	**7.9%**	**7.5%**	**7.8%**	**7.5%**	**8.1%**

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

** The CET1, Tier 1 and total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes 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).

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £44 million (31 March 2021: £25 million) for Investec plc and £61 million (31 March 2021: £25 million) for IBP would lower the CET1 ratio by 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) respectively.

^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 134bps (31 March 2021: 39bps) and 69bps (31 March 2021: 48bps) lower.

^^ 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 MANAGEMENT AND ALLOCATION
CONTINUED

Total regulatory capital flow statement

At 31 March 2022	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening Common Equity Tier 1 capital	**1 824**	**1 893**	**42 935**	**43 817**
Ordinary share buy-back	—	—	(720)	—
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(81)	(73)	(2 872)	(5 707)
Profit after taxation	236	233	5 507	5 505
Treasury shares	(23)	—	(487)	—
Share-based payment adjustments	3	4	415	—
Net equity movement in interests in associated undertakings	—	—	79	—
Movement in other comprehensive income	37	15	(9)	691
Investment in financial entity	—	—	122	669
Investment in capital of financial entities above 10% threshold	17	—	(301)	—
Shortfall of eligible provisions compared to expected loss	—	—	177	177
Goodwill and intangible assets (deduction net of related taxation liability)	4	7	142	106
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	4	4	—	—
Deconsolidation of special purpose entities	(12)	(12)	—	—
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(12)	(12)	1	1
IFRS 9 transitional arrangements	(16)	(16)	—	—
Other, including regulatory adjustments and other transitional arrangements	(2)	—	(199)	(53)
Closing Common Equity Tier 1 capital	**1 979**	**2 043**	**44 790**	**45 206**
Opening Additional Tier 1 capital	**274**	**250**	**2 142**	**1 336**
Issued capital	—	—	1 377	1 377
Redeemed capital	—	—	(1 634)	(1 481)
Other, including regulatory adjustments and transitional arrangements	—	—	1 179	1 328
Grandfathered Additional Tier 1 capital instrument	(24)	—	—	—
Closing Additional Tier 1 capital	**250**	**250**	**3 064**	**2 560**
Closing Tier 1 capital	**2 229**	**2 293**	**47 854**	**47 766**
Opening Tier 2 capital	**366**	**472**	**10 956**	**13 370**
Issued capital	348	348	1 500	1 500
Redeemed capital	—	—	(5 485)	(5 485)
Collective impairment allowances	—	—	(11)	(10)
Investment in capital of financial entities above 10% threshold	—	—	(75)	—
Other, including regulatory adjustments and other transitional arrangements	(92)	(54)	1 206	182
Closing Tier 2 capital	**622**	**766**	**8 091**	**9 557**
Closing total regulatory capital	**2 851**	**3 059**	**55 945**	**57 323**

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Total regulatory capital flow statement

At 31 March 2021	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening Common Equity Tier 1 capital	**1 745**	**1 819**	**36 867**	**38 551**
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(35)	(28)	(1 142)	(645)
Profit after taxation	70	64	3 859	3 997
Treasury shares	(8)	—	(50)	—
Share-based payment adjustments	(1)	—	436	—
Net equity movement in interests in associated undertakings	—	—	(406)	(406)
Movement in other comprehensive income	95	(3)	1 636	1 194
Investment in financial entity	—	—	913	927
Investment in capital of financial entities above 10% threshold	(85)	—	(298)	—
15% limit deduction	—	—	961	—
Shortfall of eligible provisions compared to expected loss	—	—	283	283
Goodwill and intangible assets (deduction net of related taxation liability)	19	17	112	107
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	6	—	—
Deconsolidation of special purpose entities	13	9	—	—
Gains or losses on liabilities at fair value resulting from changes in own credit standing	1	—	(14)	(14)
IFRS 9 transitional arrangements	6	6	—	—
Other, including regulatory adjustments and other transitional arrangements	(2)	3	(222)	(177)
Closing Common Equity Tier 1 capital	**1 824**	**1 893**	**42 935**	**43 817**
Opening Additional Tier 1 capital	**274**	**250**	**1 902**	**751**
Issued capital	—	—	723	723
Redeemed capital	—	—	(198)	(54)
Other, including regulatory adjustments and transitional arrangements	—	—	(285)	(100)
Investment in capital of financial entities above 10% threshold	—	—	—	16
Closing Additional Tier 1 capital	**274**	**250**	**2 142**	**1 336**
Closing Tier 1 capital	**2 098**	**2 143**	**45 077**	**45 153**
Opening Tier 2 capital	**414**	**533**	**11 885**	**12 905**
Redeemed capital	—	—	(885)	(260)
Issued capital	—	—	1 636	1 636
Collective impairment allowances	—	—	(461)	(461)
Investment in capital of financial entities above 10% threshold	—	—	101	28
Other, including regulatory adjustments and other transitional arrangements	(48)	(60)	(1 320)	(478)
Closing Tier 2 capital	**366**	**473**	**10 956**	**13 370**
Closing total regulatory capital	**2 464**	**2 616**	**56 033**	**58 523**

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

Governance

IN THIS SECTION

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT

Philip Hourquebie
Chair of DLC Nomdac

"A strong and effective Board is central to helping deliver the Group's strategy"

Members	Member since	Meetings attended	Eligible to attend
Philip Hourquebie (Chair)[1]	15 May 2018	5	5
Henrietta Baldock	5 Aug 2021	3	3
Zarina Bassa	1 Apr 2017	5	5
Perry Crosthwaite[2]	16 Apr 2017	2	2
David Friedland	15 May 2018	5	5
Lord Malloch-Brown[3]	15 May 2018	2	2
Khumo Shuenyane	15 May 2018	5	5
Brian Stevenson	22 Jun 2021	3	3

1. Philip Hourquebie was appointed Chair of the Committee on 5 August 2021.
2. Perry Crosthwaite stepped down as Chair of the Committee on retiring from the Board on 5 August 2021.
3. Lord Malloch-Brown stepped down as a member of the Committee on retiring from the Board on 5 August 2021.

Introduction

I am pleased to report on how the DLC Nomdac (the Committee) has discharged its responsibilities during the year, having assumed the role of Chair following my appointment as Chair of the Board in August 2021. Firstly, on behalf of the Committee, I would like to offer my thanks to Perry Crosthwaite, for his exceptional work in chairing the Committee.

Committee composition

We welcomed two new members to the Committee. Brian Stevenson joined on his appointment to the Board, while Henrietta Baldock joined following her appointment as Chair of the DLC Remuneration Committee. Their appointments have further strengthened the skills, knowledge, experience and diversity of the Committee. With Brian being Chair of Investec Bank plc and Henrietta being Chair of Investec Wealth & Investment (UK), the appointments also support our One Investec strategy, by promoting a more consistent approach to governance matters across our businesses.

2022 Focus areas

- Conduct a recruitment process for potential additional Board members, given planned Board retirements
- Monitor progress made with respect to the Board action plan identified following the 2021 Board effectiveness review.

Succession planning

During the year, we continued to focus on succession planning, with consideration given to the planned Board retirements and the impact of these on the membership of the Board and its Committees, including oversight of the planned transition.

The Committee's ongoing review of the structure, size and composition of the Board and its committees helps ensure that the Group maintains the appropriate mix of knowledge, skills, experience and diversity.

As mentioned in my introduction to the Governance report on page 108 of the Investec Group's 2022 integrated and strategic annual report, there have been a number of changes to the Board and its committees. These changes comprised a new Chair of the Board and the Committee, a new Chair of the Investec Wealth & Investment (UK) Board, a new Chair of the DLC Social and Ethics Committee (SEC), a new Chair of the DLC Remuneration Committee, and the appointment of four Non-Executive Directors.

As indicated in last year's report, Perry Crosthwaite retired as Chair of the Board and this Committee at the Annual General Meeting (AGM) in August 2021. I succeeded Perry as Chair of the Board and this Committee, with Henrietta Baldock succeeding me as Chair of the DLC Remuneration Committee. Lord Malloch-Brown also retired from the Board and as Chair of the DLC SEC at the AGM in August 2021, with Khumo Shuenyane succeeding him as Chair of the DLC SEC.

Last year's report also discussed the appointments of Nicky Newton-King and Jasandra Nyker in May 2021, and of Brian Stevenson in June 2021, as independent Non-Executive Directors.

In May 2022, we announced the appointment of Vanessa Olver as an independent Non-Executive Director. Vanessa brings substantial strategic, risk, financial services, governance and technology experience. She will assume the role of Chair of the DLC Board Risk and Capital Committee (BRCC) when David Friedland steps down at the AGM in August 2022.

Board effectiveness review

The Committee oversees the review of Board effectiveness, and assesses the feedback from the evaluation process. The 2021 review was facilitated by an independent external third party, Fidelio Partners. Full details are provided on page 124 of the Investec Group's 2022 integrated and strategic annual report.

Philip Hourquebie
Chair, DLC Nomdac
22 June 2022

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT
CONTINUED

What we did in 2021/22

Board diversity
The Committee's focus on inclusion and diversity sets the tone and direction for Investec to be an inclusive employer, with diverse teams delivering for the benefit of all of our stakeholders. Read more on Board diversity on page 119 of the Investec Group's 2022 integrated and strategic annual report.

Induction and training
The Chair, supported by the Committee, leads the training and development of directors. On appointment, each director receives a formal and tailored induction. In addition, there is a programme of ongoing development for directors.

New Non-Executives receive a tailored induction programme that focuses on the Group's culture and values, strategy, structure, operations and governance, risk and compliance, whilst also taking account of the specific role that director has been appointed to fulfil and their skills and experience to date. An induction pack is provided, and meetings scheduled with the Board and senior managers.

A comprehensive development programme operates throughout the year, with both compulsory computer based training, and direct training sessions offered across a range of topics. Topics during the year included:

- Operational resilience
- Anti-money laundering
- Technology / digital developments

Directors who take on new roles or change roles during the year attend induction meetings in respect of those new roles.

Independence, conflicts of interest and time commitments
Each Director has a duty to disclose any actual or potential conflict of interest, as defined by law, for consideration and approval if appropriate by the Board. This is supported by the Committee's review of the register of directors' interests and its annual assessment of director independence.

Based on its assessment for the year, the Committee is satisfied that, with the exception of Stephen Koseff, who was appointed as a non-Independent Non-Executive Director, all the Non-Executive Directors remained independent in character and judgement. Read more in the Board report on page 119 of the Investec Group's 2022 integrated and strategic annual report.

In recommending directors for election and re-election at the AGM, the Committee has considered the performance of each of the directors and their ability to continue meeting the time commitments required. We have taken into consideration individual capabilities, skills and experience, and any potential conflicts of interest that have been disclosed. The external roles held by all directors were considered to be appropriate. Further details of our Conflicts of Interest Policy can be found on page 125 of the Investec Group's 2022 integrated and strategic annual report.

Governance
As part of our broader governance responsibilities, the Committee considered regular updates on developments in corporate governance, and correspondence with shareholders, in particular their expectations and voting policy.

Role and responsibilities

The role of the Committee is to:

- Consider succession plans for the Board and senior management
- Monitor the talent pipeline for senior management
- Review the skills, knowledge, experience and diversity of the Board
- Review the size, structure and composition of the Board and the Board Committees
- Oversee the Board effectiveness review

The Committee's terms of reference can be found on our website.

Membership and attendance

To ensure a broad representation of experienced and independent directors, membership of the committee currently comprises the Chair, the Senior Independent Director (who is also the Chair of the DLC Audit Committee), the Chairs of each of the DLC BRCC, DLC Remuneration Committee and DLC SEC, and the Chairs of the IBP Board, IBL Board and IW&I UK Board.

As Investec Bank Limited does not have an independent nominations and directors' affairs committee, it was agreed that the IBL Board be appropriately represented. There are currently four IBL Board members serving on the Committee.

Details of individual attendance at the meetings held during the year are set out on page 95. More information on the skills, knowledge and experience of the Committee members can be found on pages 109 to 111 of the Investec Group's 2022 integrated and strategic annual report.

Q&A

What are the key areas of focus for the Committee at present with respect to succession planning?
Strong succession planning helps ensure the continuation of an appropriate mix of skills, experience, knowledge, backgrounds and diversity.

A key focus area in the past year, and the coming year, is Non-Executive Director recruitment, with the ninth anniversary of David Friedland's appointment in 2022, and the nine year anniversaries of the appointments of Zarina Bassa and Khumo Shuenyane being in 2023.

What process does the Committee follow when looking for potential candidates?
A detailed candidate specification is agreed, setting out the key responsibilities, experiences and personal attributes required.

An independent executive search firm provides a candidate longlist, which the Committee considers, and selects a shortlist of those with the strongest fit.

Interviews are held with the preferred candidates.

A final evaluation follows, and the most suitable candidate is recommended to the Board for appointment.

How does the Committee consider broader succession planning?
The Committee also maintains a strong focus on succession planning at an executive level, recognising the need to ensure that an appropriate mix of knowledge, skills, experience and diversity is maintained.

During the year, and in collaboration with the Chief Executive, we developed a robust talent management and succession plan process, focussed on the Executive Directors and senior management.

DLC SOCIAL AND ETHICS COMMITTEE REPORT

Khumo Shuenyane
Chair of the DLC SEC

“Our purpose - to create enduring worth, living in, not off, society - guides all that we do”

Members	Member since	Meetings attended	Eligible to attend
Khumo Shuenyane[1] (Chair)	9 Aug 2019	4	4
Lord Malloch-Brown[2]	8 Aug 2014	1	1
Moni Mannings[3]	11 Sep 2020	4	4
Morris Mthombeni[4]	23 Jul 2020	4	4
Nicky Newton-King	21 May 2021	3	3
Jasandra Nyker	21 May 2021	3	3
Fani Titi	12 May 2019	4	4

1. Khumo Shuenyane was appointed Chair of the Committee on 5 August 2021.
2. Lord Malloch-Brown stepped down as Chair of the Committee on retiring from the Board on 5 August 2021.
3. Moni Mannings is the representative of IBP.
4. Morris Mthombeni is the representative of IBL.

Introduction

Following my appointment as Chair of the DLC SEC (the Committee) in August 2021, I am pleased to report on how the Committee has discharged its responsibilities during the year. Firstly, on behalf of the Committee, I would like to offer my thanks to Lord Malloch-Brown, for his excellent work in chairing the Committee and for further enhancing its presence within the Group.

Committee composition
In May 2021, we welcomed two new members, whose appointments have further enhanced our capabilities. Nicky Newton-King brings significant knowledge of sustainability (including climate and ESG) matters, having previously been part of the team that developed the JSE’s Socially Responsible Investment Index, while Jasandra Nyker provides substantial experience of the renewable energy sector.

These appointments followed those of Moni Mannings, a Non-Executive Director of Investec Bank plc; and Morris Mthombeni, a Non-Executive Director of Investec Bank Limited, in the prior year. Their appointments supported the promotion of a consistent approach to employment equity, transformation and sustainability matters across our businesses.

It is pleasing to note that every member brings their own unique skills to the Committee.

Environment
At the 2021 AGM, we were pleased to receive 99.9% shareholder support for the Group's commitment to take action in addressing financed emissions in its lending and investment portfolios. This resolution included disclosing a baseline of emissions, formulating a strategy to reduce our Scope 3 financed emissions and disclosing our short, medium and long-term targets to reach net-zero emissions aligned with the Paris goals. Full details can be found in the 2022 TCFD report.

This follows our commitment at the 2020 AGM to maintain carbon neutrality in Scope 1 and 2 direct emissions and to report annually on the progress made on climate-related exposures.

In line with Investec’s purpose, we are also pleased to note that the Group remains a constituent of the FTSE4Good Index Series and the Dow Jones Sustainability Indices.

2022 Focus areas

- Monitor the Group’s climate-related targets and progress in respect of these targets
- Support and monitor the advancement of the Group’s belonging, inclusion and diversity initiatives
- Consider the impact of the transition to a hybrid working model, with particular focus on employee wellbeing.

Ethics and culture
We oversaw the Group’s activities from the perspective of ethical business principles, with programmes offered to enhance our purpose and values.

In 2021, the Group, with the support of the Committee, adopted a new purpose statement: “We exist to create enduring worth, living in, not off, society”.

We have also initiated a review of our organisational values, with a view to introducing a specific climate-related value and to update our diversity value to better reflect how the Group seeks to achieve equity within the organisation.

Social
The wellbeing of all Investec employees has been a key focus given the continued effects of the pandemic. The Committee received regular updates on the physical, mental, social and financial health of employees. We also deliberated on the Group’s Covid vaccination policy and the future of work, specifically the transition to a hybrid working model. We welcomed the wellbeing initiatives introduced to support our employees, and are proud of the Group’s swift response to the social unrest experienced in South Africa in July 2021 and of the support provided to the affected staff and communities.

Khumo Shuenyane
Chair, DLC SEC
22 June 2022

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

What we did in 2021/22

Climate change
The impact of climate change on our business, and the impact of our activities on the environment have continued to be a key focus.

The Board recognises that climate change represents a material risk, which is monitored by the DLC BRCC.

Presentations made to the Committee during the year, including:

- An update regarding the progress made on our net zero ambitions
- A summary of discussions held at COP 26 and the global energy transition
- An update on the business initiatives designed to support our clients in their participation in the transition
- An external presentation in respect of just transition, climate-related risks and how they are impacting general investment portfolios. In addition, an update on the potential impact of the Russian invasion of Ukraine on global climate change initiatives, energy security and food security.

We also monitored the implementation of the Fossil Fuel Policy and Defence Policy, which are regularly reviewed to ensure that the Group remains in line with best practice.

Sustainable finance
The Group developed a Sustainable Finance Framework that aligns with the UN Sustainable Development Goals (SDGs). The framework is used as a guiding document to support sustainable financing practices within our business.

In the the past year, we have launched a number of initiatives including:

- A sustainability linked syndicated term loan by Investec Bank plc
- A green bond by Investec Bank Limited
- A sustainable equity financed loan by Investec Wealth & Investment (UK).

The Committee is a so pleased to note that our UK Wealth business has become a signatory to the UK Stewardship Code and released their first report in line with the UN PRI principles.

Further information can be found in the Investec Group's 2022 sustainability report.

Inclusion and diversity
The Committee monitored the Group's compliance with the South African Broad-Based Black Economic Empowerment (B-BBEE) Act, and considered its empowerment rating.

We maintained a level 1 B-BBEE rating, with improved scores achieved in respect of ownership, management and control, skills development, enterprise development and consumer education.

The Committee continued to focus on equity and inclusion, and oversaw the developments made in regards to the targets outlined in our revised employment equity plan.

The Group made further progress with our transformation initiatives and employment equity targets, and remains committed to creating an inclusive environment where all our employees can thrive. The primary focus of the revised plan is on transforming our leadership and decision-making forums. The Group has also launched a disabled leadership programme in partnership with the National Institute for the Deaf.

The Committee monitors the Group's progress with respect to gender and diversity targets. The gender pay gap in our UK Bank and Wealth & Investment businesses has reduced for the fourth consecutive year, with planned strategies and actions to drive the increase of female representation at senior levels. The Group is a signatory to the Women in Finance Charter and a member of the 30% Club in South Africa and the UK. We are pleased that the representation of women in leadership positions continues to increase annually.

In the past year, we signed up to the Race at Work Charter (UK), and published our first ethnicity pay gap results for our UK Bank and Wealth & Investment businesses.

The UK pay gap reports and South African labour report are available on our website.

Governance
The Committee welcomed the introduction of ESG performance measures for our Executive Directors' remuneration. These measures are based on the Group's scores on certain independent ESG ratings, which were considered to collectively reflect progress made in all areas of ESG. Read more on page 30 of the Investec Group's 2022 remuneration report.

Stakeholder engagement
The Group has continued to enhance our engagement with stakeholders on sustainability matters. This included discussions with the UK Prudential Regulation Authority in respect of the risk and opportunities associated with climate-related matters, engagement with the SARB on the completion of a climate stress scenario and meetings with our institutional shareholders.

Read more on pages 28 to 35 of the Investec Group's 2022 integrated and strategic annual report.

Role and responsibilities

The role of the Committee is to:

- Ensure that the Group promotes social and economic development
- Oversee the Group's sustainability and climate-related policies, processes and response to climate-related matters
- Monitor the Group's standing in terms of the goals and purposes of the UN Global Compact's 10 principles, as well as our priorities in terms of the UN SDGs
- Observe the Group's behaviour as a corporate citizen, including its contribution to the development of our communities
- Monitor the Group's standing in terms of the goals and purposes of the South African Employment Equity Act, and the South African B-BBEE Act
- Oversee the Group's ethical business practices.

The Committee's terms of reference can be found on our website.

Membership and attendance

The Committee comprises independent Non-Executive directors and executive directors. Its composition is designed to provide the breadth of experience necessary for effective consideration of the issues that are presented to us. The composition is in accordance with the requirements of the South African Companies Act. The Committee is also attended by key business leaders in the Group. This, and the Committee's interaction with the DLC ESG Executive Committee, support the continued integration of sustainability matters across the Group.

Details of individual attendance at the meetings held during the year are set out on page 97. More information on the skills, knowledge and experience of the Committee members can be found on pages 109 to 111 of the Investec Group's 2022 integrated and strategic annual report.

DLC AUDIT COMMITTEE REPORT

Zarina Bassa
Chair of the DLC
Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal and external auditors have direct access to the Chair, including closed sessions with the Committee, without management, during the year,

DLC AUDIT COMMITTEE REPORT
CONTINUED

on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities.

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

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

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

The DLC Audit Committee Chair is also the Chair of the following Audit Committees:

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

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

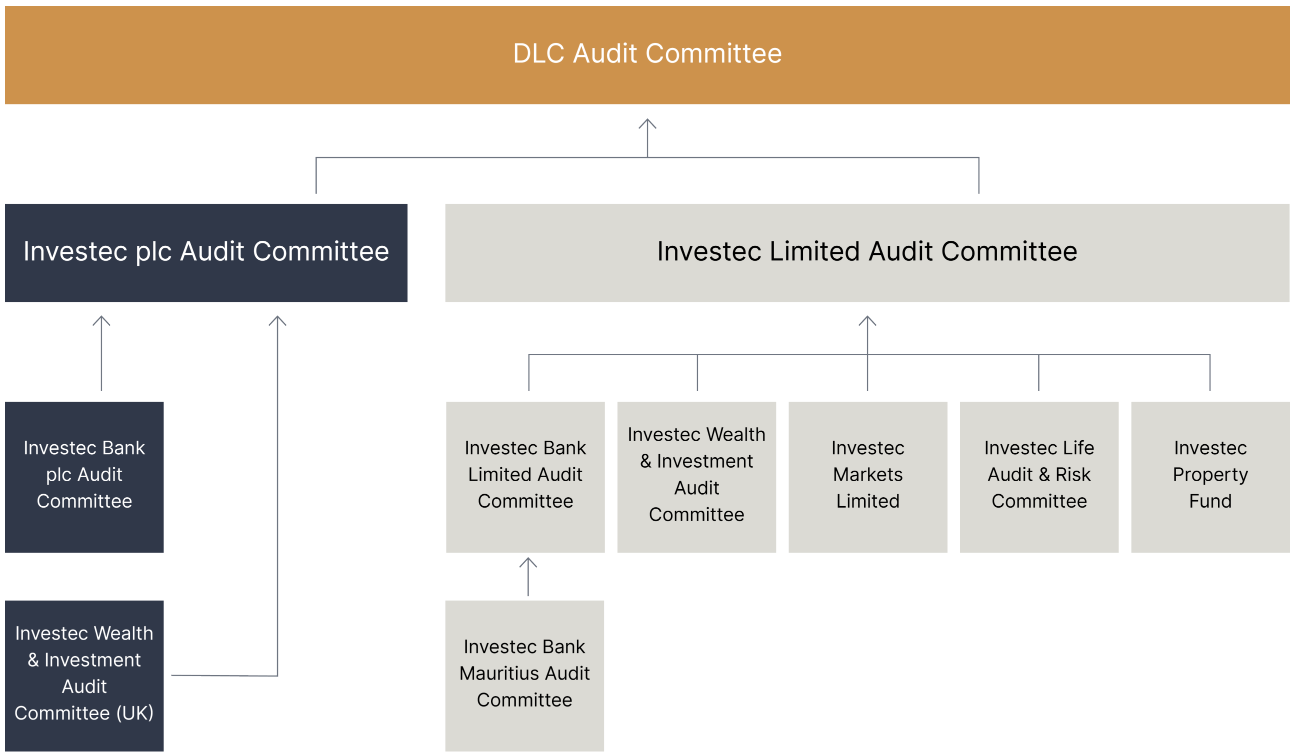
- Investec Bank plc
- Investec Life
- Investec Wealth and Investments UK

The DLC Audit Committee Chair attends the following Committee meetings:

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

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

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



DLC AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the DLC Audit Committee

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

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

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

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

Key audit matters	What we did
Impact of COVID-19 and the indirect impact of the Russian invasion of Ukraine • COVID-19 impacted the global economy and businesses across all industries.	• Considered the known accounting and operational impact of COVID-19 and the Russian invasion of Ukraine on the economy and business, mitigating actions by management in both geographies together with the resulting impact on the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements • 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, the Russian-Ukraine war in the Ukraine and the resultant economic impacts have resulted in additional key judgements and assumptions being made during the current year.	• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group • 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 insufficient data available to model the existing credit risk. Specific consideration was given to the methodology and assumptions applied to calculate the overlay. We further evaluated the appropriateness of the releases of the ECL model overlays • 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 and South Africa • Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant South African and UK peers • Considered the impact of easing of restrictions and levels of lockdown on impacted sectors and the consequent impact on ECL and overlays.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure • 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 and the Russian invasion of Ukraine 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 considerations, including external developments on the accounting and disclosures of historical German dividend arbitrage transactions taking note of correspondence received from the Federal Tax Office in Germany. Refer to note 53 in the Investec Group's 2022 annual financial statements.
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 a DLC level, Investec Limited level and Investec plc level.	• Reviewed the technical accounting memorandum prepared by Group Finance regarding the accounting treatment of material investments of the Group. The memorandum addressed the carrying value of the investments and management's impairment assessment. This included an analysis of the key judgements and assumptions applied • Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied • Considered a detailed business analysis based on the results of the IEP Group. Valuation scenarios were calculated through evaluating the impact of the COVID-19 pandemic on the business • Assessed the appropriateness of the overall accounting treatment of investments transferred between entities within the Group.
Going concern and the Viability Statement	• Considered reports on the Group's budgets, forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings, if any on both going concern and the three-year Viability Statement • Considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of the Group to continue as a going concern • 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.

DLC AUDIT COMMITTEE REPORT
CONTINUED

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

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters considered by the DLC Audit Committee:

The Committee considered the following matters during the year:

Regulatory compliance and reporting	• Received regular reports from the Group Regulatory Compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors or regulators • Requested specific updates or presentations from management on areas considered high risk or where exceptions had been identified • Received regular updates from the compliance function in respect of Regulatory Interactions, Risk Ratings and High-Risk exposures, Conduct, Financial Crime, Compliance Monitoring, Training, Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) reviews conducted in respect of Group subsidiaries.
Post balance sheet disclosure	• Considered any post balance sheet disclosures that may require the AFS to be adjusted or require additional disclosure including in respect of the distribution of Ninety One shares and external developments on accounting and disclosures of dividend arbitrage transactions • 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.
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 under review • Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the Group's IT controls. Considered updates on key internal and external audit findings with respect to the IT control environment • Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage • Attended and reviewed the reports of the Investec Limited Customer Market and Conduct Committee • Evaluated reports on cyber security within the Group • Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix.

DLC AUDIT COMMITTEE REPORT
CONTINUED

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 • Took note of the areas highlighted to the Audit Committee by the JSE through its Pro-active Monitoring Process of the AFS of listed companies. Ensured these were appropriately considered in the AFS. • 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.
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. • Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans.	• Received regular reports from the subsidiary audit committees • Attended the audit committees of all significant subsidiaries • Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management and scrutinised action plans following Internal Audit findings • Reviewed the process for reporting to the DLC Audit Committee key subsidiaries and associates and considered regular reports from such entities, for example, Investec Property Fund, IEP and Investec Life.
Finance function	• Considered a report from Group Finance on the interim results for the period ended 30 September 2021 and final results for the 31 March 2022 year end • 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 • Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and Financial Director as required by the JSE Listings Requirements 3.84(k). Considered the reports from internal audit on the effectiveness of the internal control environment and the combined assurance matrix in concluding on the attestation.
IFRS	• Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatment and significant accounting judgements • 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 • Reviewed and obtained confirmation from Group Finance that the recommendations in the JSE proactive monitoring report and the FRC annual review had been implemented in the preparation of the annual financial statements • 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.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other 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 Limited and Investec plc written assessment of the overall effectiveness of the organisation's governance, risk, and control framework, including an assessment of internal financial controls, the risk management framework, adherence to the risk appetite and the effectiveness of the overall assurance achieved relative to that planned for the year through the CAM • 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 the 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 • Reviewed the framework as prepared as part of the Continuous Improvement Programme, in respect of the general engagement with co-source providers and the utilisation and reliance on IT skills within the UK team.

DLC AUDIT COMMITTEE REPORT
CONTINUED

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

Total audit fees paid for the year ended 31 March 2022 amounted to £15.6 million (2021: £14.1 million), of which £0.9 million (2021: £1.0 million) related to the provision of non-audit services. The non-audit services related to services required to be provided by the external auditor, for example, regulatory audits. Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment. The Committee further required the policy to be applied to any external services provided by PwC Inc. to ensure the independence of the firm prior to its appointment as external auditor for the financial year starting 1 April 2023.

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

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

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

The following matters were covered during these discussions:

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

Auditor independence and objectivity
- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Group audit meet the independence criteria
- The key audit partners are required to rotate every five years. The tenure of each of the partners was reviewed and concluded to be aligned with this policy
- Manprit Dosangh was appointed as lead engagement partner for Ernst & Young LLP and the Group on 1 April 2019
- Gail Moshoeshoe stepped down as lead Ernst & Young Inc. engagement partner for Investec Bank Limited, Investec Limited and the Group. Ranesh Hariparsad replaced Gail from 1 April 2021
- Tracy Middlemiss will step down as lead KPMG Inc. engagement partner for Investec Limited after the March 2022 audit. A new designated lead audit partner has been appointed for the financial year ending 31 March 2023 pending PA approval.

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

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

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

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

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

Mandatory Audit Firm Rotation (MAFR)

Investec plc
The Company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the

DLC AUDIT COMMITTEE REPORT
CONTINUED

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

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

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

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

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

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

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

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

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

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

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

Zarina Bassa
Chair, DLC Audit Committee
22 June 2022

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT

David Friedland
Chair of DLC BRCC

"We've continued to enhance our processes, systems, and controls leading to improved risk management in our trading jurisdictions.

Through our interactions with management, risk functions and the three lines of defence, the Committee is satisfied that all risks,including emerging risks, are properly managed."

Members	Member since	Meetings attended	Eligible to attend
David Friedland (Chair)	13 Sep 2013	5	5
Zarina Bassa	14 Nov 2014	5	5
Perry Crosthwaite[1]	9 Nov 2018	2	2
Nishlan Samujh	8 Aug 2019	5	5
Philip Hourquebie	17 Aug 2017	5	5
Khumo Shuenyane	16 Jan 2015	5	5
Henrietta Baldock	9 Aug 2019	5	5
Philisiwe Sibiya	9 Aug 2019	5	5
Fani Titi	11 Mar 2011	5	5
Stephen Koseff	17 Sep 2020	5	5
Nicky Newton-King	21 May 2021	4	4
Jasandra Nyker	21 May 2021	4	4
Brian Stevenson	22 Jun 2021	4	4

1. Perry Crosthwaite stepped down as a member of the Committee at the annual general meeting held on 05 August 2021.

Introduction

As the Chair of the DLC BRCC (the Committee), I'm pleased to present our report for the financial year ended 31 March 2022.

Having served as a Non-Executive Director on the Board for nine years, I am no longer considered independent pursuant to Directive 4/2018 of the South African PA; therefore, this is my final report as Chair. As a result, I will not run for re-election at the upcoming AGM. In accordance with the South African PA's consent, I am, however, considered independent until the AGM scheduled for August 2022.

Firstly, I would like to thank and pay tribute to the risk community, and the digital and technology teams, as well as business units for their commitment and dedication.

As a Committee, we take comfort that the risk function and oversight are in capable hands.

Role and responsibilities of the Committee
Our role is to provide independent oversight of the range of risks (including non-financial risks) facing the business.

We perform this function by considering the risk reports presented and questioning whether actions taken by management are appropriate.

Through Committee meetings as well as interactions with the Chief Risk Officers (CROs) and the various risk disciplines, we satisfy ourselves that effective risk management plans and processes are in place to ensure that risks are adequately assessed and timeously addressed.

As the Group's most senior risk management committee, our Committee is an essential part of the governance framework to which the Board has delegated the monitoring of the Group's activities in relation to risk and capital management.

We ensure that all risks are identified and properly mitigated and managed.

We also consider whether the resources allocated to the risk management functions are adequate for effectively managing the Group's risk exposures.

The Committee is the appointed Board Committee to meet the requirements of the South African Banks Act and the Capital Requirements Directive and Regulation (CRR/CRD IV), adopted by the European Commission and implemented in the UK. This requires the Board of Directors of a bank and a of a Bank holding company to appoint a risk and capital committee.

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

Composition
With its membership including both Executives and Non-Executives, the composition of our Committee is designed to provide the necessary breadth of risk expertise and commercial acumen to fulfil our responsibilities.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

I chair the Committee and am also the Chair of the IBL BRCC and a member of the IBP BRCC and the UK IW&I Risk Committee.

Connectivity
Committee members attend the Investec Bank Limited BRCC and Investec Bank plc BRCC meetings by invitation to facilitate their understanding of the risks facing these two banking subsidiaries. This arrangement ensures connectivity between the Group and its principal subsidiaries.

I was also furthermore appointed as a member of the DLC Audit Committee in August 2021. Given the synergies and nature of the matters considered by the DLC Audit and DLC BRCC Committees, my membership of both Committees drive towards greater connectivity.The DLC Audit Committee Chair and members are also members of the DLC BRCC. The dialogue between the Committee and its equivalent Board subsidiary level committees remains robust.

Succession
Working closely with the DLC Nomdac, the Board continues to drive and monitor succession planning.

Vanessa Olver, a Non-Executive Director of Investec Bank Limited since 2021, has been identified as my successor as the Chair of the Committee.

I know that Vanessa, with her deep knowledge and experience of the banking sector, will build upon the work and success of the Committee.

Risk sub-committees
Based on our interactions with the risk community, attendance at sub-committee meetings supporting the risk functions of the Group, as well as the output of BRCC meetings, the Committee believes that the Group has adequate and robust systems and processes in place to ensure the effectiveness of the risk functions.

DLC Information Technology Risk and Governance (ITRG)
The ITRG Committee comprises both Executives and Non-Executive Directors, two of whom have extensive IT experience.

The ITRG Committee reports into DLC BRCC and the DLC Audit Committee, where reports are discussed and interrogated.

I am a member of the ITRG Committee.

Refer to the DLC Audit Committee report for more information in respect of the functions of DLC ITRG.

Investec Limited and Investec Bank Limited Large Exposure Committee
The Investec Limited and Investec Bank Large Exposure Committee comprises three Non-Executive and four Executive Directors as well as the joint Heads of Credit, Head of Risk and the Global Head of Compliance and Internal Audit.

The main objective of the Committee is to assist the Board in discharging its responsibilities in terms of the management of credit granting and credit risk (which forms an integral part of the overall process of corporate governance) and its concentration across the Group.

The Committee reports to the IBL BRCC and DLC BRCC.

Looking ahead
The Committee will continue to apply an intense focus on people, operational, IT and liquidity risks, while at the same time considering resilience and strategy.

We will closely monitor the well-being of our people, including the implications of flexible working arrangements and consequent impact on talent management and morale.

In line with Investec's focus on digitalisation, our technology strategy has evolved into a cloud-centred transformation. This journey is still in a growth phase, and we are cognisant that risks may be introduced as critical systems are built in or migrated to the cloud. The Committee will seek to understand and address these risks, and the potential for cloud to disrupt, transform, and accelerate business models. It is vital that technology continues to meet client needs and fulfils emerging and ongoing requirements of operational resilience.

A localised operating risk is a finding by the Financial Action Task Force (FATF) that the South African financial sector needs to improve its processes to prevent money laundering and terrorist financing. The country has until August 2022 to present progress. Should the country fail to meet the FATF deadline, South Africa will be "grey-listed" and the ability of its banks to raise funds in global markets will be restricted, to the detriment of our country's financial system. The Committee will monitor the situation and in the event of being placed on the "grey-list", consider the impact on the Group's operations and consequential risks that may arise.

Furthermore, we will continue to assess how external factors impact the Group's risk profile. These matters include financial crime, the implementation of regulatory requirements, Financial Intelligence Centre Act (FICA), the King IV™ Code, UK Corporate Governance Code and the risks associated with the fast pace of regulatory change.

We will also upskill the members of the Committee in terms of climate-related and sustainability (including ESG) matters through focused training sessions.

Cybersecurity remains an area of focus for the Committee. The Group is committed to managing and protecting its digital assets and to detecting and isolating significant breaches in order to to minimise business impact.

David Friedland
Chair, DLC BRCC
22 June 2022

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

Q&A

What are the key areas of focus with respect to succession planning?
Following the announcement of my intention to step down from the Board and the Committee, the Board, along with DLC Nomdac, initiated a search process to find my successor.

In-depth discussions were held with a diverse list of potential candidates, both internal and external, in order to ensure the appointment of a Chair of the Committee with the necessary experience and qualities.

Vanessa Olver, an existing member of the Investec Bank Limited Board and IBL BRCC, was accordingly appointed as a member of DLC BRCC.

What are the key emerging risks identified by the Committee?
- Following the Russian invasion of Ukraine, the Committee would need to assess potential emerging risks as the situation evolves.
- The Committee considered people risk within the business as an emerging risk due to strain on resources within the industry. This posed a problem to the business, especially in the IT environment.
- ESG and climate change risks are risks that the Committee will increasingly be focusing on.

What key risks are of concern to the Committee?
IT risk and cyber security is ever-evolving. It is an ongoing process to protect the business against any potential cyber attacks.

For this reason, regular Executive Cyber Simulation exercises are conducted to keep management abreast of the most recent developments and the required responses thereto.

Staff furthermore participated in regular in-house training in this regard to ensure that they are aware of potential threats and able to respond in the appropriate manner.

What we did in 2021/2

The standard and regular agenda items of the Committee include comprehensive reports regarding

Liquidity risk	Market risk	Financial crime
Capital adequacy	Operational risk	Fraud
Credit risk	Reputational and legal risk	Climate change
Investment risk	IT and cyber risk	

The following section outlines the significant matters addressed and the progress made during the year in respect of these risks.

Russian invasion of Ukraine
The Committee was provided with regular updates on the impact of the Russian invasion of Ukraine on all our risk disciplines, with particular emphasis on Information Security and Financial Crime.

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

KwaZulu-Natal floods
The Committee received reports on the floods that hit the KwaZulu-Natal province in South Africa during April 2022. Although devastating to both the people and economy of KwaZulu-Natal, the impact on our business was limited. We will continue to monitor the longer-term impact of the floods on our clients and the business they do with us.

IT governance and cyber security
IT Controls and cyber risk received a renewed focus due to an increase in cyber crime as a result of the impact of COVID-19.

Management provided confirmation to the Committee that cyber risks were being effectively managed through our cyber security capability, with the penetration testing scheduling process being reviewed to ensure that existing critical applications would be prioritised.

The protection and management of client and proprietary data across all jurisdictions were reviewed in order to mitigate against the increased activity and sophistication of cyber criminals.

The Committee monitored the implementation of disciplines and remediation of the issues that emanated from the Targeted Attack Simulation (TAS-4) tests conducted in 2021.

The implementation of remediation processes to mitigate against the reputational and privacy risk of a data breach was monitored. This risk will remain high until measures are in place across likely channels of data compromise including email, cloud services, instant messaging, and collaboration tools.

A joint Investec Bank Limited and Investec Bank plc BRCC meeting received a detailed update on the Group's information security landscape, including the maintenance and enhancement of cyber resilience, managing the insider threat, turning security into a business differentiator and feedback on the Executive Cyber Simulation held in November 2021. Overall, Investec has a mature approach to cyber security with ongoing actions to further improve Investec's controls and resilience.

The move to the cloud is an ever-increasing topic of discussion and debate on understanding how the cloud accelerates, transforms and disrupts business models.

The pressure on demand for IT resources within the industry was considered. There was an increased focus to retain staff and to resource adequately with the necessary skills and experience.

In regard to the UK IW&I, the Committee considered the scope of a CBEST review, as requested by the regulator, in order to provide a framework to deliver controlled, bespoke, intelligence-led cyber security tests.

Presentation to the South African PA
In my capacity as the Chair of BRCC, I made a presentation to the South African Prudential Authority (PA) on 'The impact of new technologies on regulated financial institutions'.

The presentation inter alia included:

- How the Board is kept abreast of developments relating to the adoption of new technologies
- Our ability to adapt and respond to the emerging competition introduced by fintech companies
- Our approach to managing increased outsourcing and third party risks.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT

CONTINUED

COVID-19
The Committee continued to review and challenge management actions to address the risks arising from the impact of COVID-19, ensuring that surplus liquidity and capital buffers were in place to manage the possible negative impact and to support the Group's stakeholders throughout the COVID-19 pandemic.

In conjunction with the DLC Audit Committee, the Committee reviewed for reasonableness the benchmarking of macro-economic scenarios (MES), expected credit losses, the credit loss ratio and coverage ratios against relevant South African and UK peers.

Any potential or actual fraud losses throughout the industry as a result of COVID-19 were examined.

There was a significant focus by the Committee on operational resilience as the Group's operations were largely executed with employees working from home, increasing the reliance on IT and related processes. Assurance was provided that the required controls and oversight were in place and effective.

The Group continued adapting to working from home and managing day-to-day business, including employee wellbeing, operational resilience and client relationships. Our Committee continuously reviewed all risks associated with working from home and the transition to returning to the office.

Financial products
Risk management and risk reduction losses associated with the UK financial products book were immaterial at c.£5.9 million, compared to a £93 million loss incurred in the prior year, given significantly lower book-risk mitigation strategies and improved markets.

The Committee:

- Received and challenged the in-depth reporting on risk management and the exposure to capital-at-risk products, including the results stress testing
- Focused on management's continued progress in derisking the book, including the effectiveness of the macro hedge in place to provide downside protection for the FTSE, Eurostoxx and S&P at certain levels. The Committee focused on the unwinding of over-the-counter (OTC) interbank trades and monitored the forecasts of the book's performance and run-off profile.

Significant progress was made in reducing and managing the residual risk for the financial products exposures.

Recovery and Resolution Plan (RRP)
The Committee reviewed:

- The new combined Contingency Funding and Recovery Plan (CFRP) and Resolution pack for Investec plc as well as the Recovery Plans for IBL and Investec Limited. The Committee subsequently approved the said RRPs
- The impact on the servicing of clients within the EU following the implementation of restrictions on the UK Bank's operations within the European Union (EU)
- Potential mitigating actions.

Risk Appetite
The Committee:

- Reviewed and approved the Investec Limited and Investec plc Operational Risk Appetite Policy
- Approved the IBP and Investec plc Risk Appetite Framework
- Reviewed and approved Investec Bank Limited's, Investec Bank plc's, Investec Limited's and Investec plc's risk appetite limits. This followed a robust annual review process that included evaluating the risk appetite frameworks in the context of the Group's business strategy, and the regulatory and economic environment in which the Group operates
- Reviewed the Investec Limited, Investec plc, Investec Bank plc and Investec Bank Limited Risk Appetite Dashboards
- Considered the amendments to the Investec Bank plc and Investec plc Risk Appetite, and approved same.

Regular reports highlighting Group activity, liquidity balances and key measures against thresholds and limits were reviewed. The Committee challenged the effective oversight of these matters. Mitigants put in place to manage the risks were examined.

Sustainability and climate-related (including ESG) risk
Sustainability, including climate-related and ESG matters, were expanded in the risk appetite policies. Reporting on climate-related and sustainability (including ESG) risks was enhanced and greater emphasis was placed on sustainability disclosures.

The Group's exposure to fossil fuels following the publication of the Group fossil fuel policy during March 2021 was considered.

The Committee received confirmation from management that credit decisions considered financial risks arising from climate change and that these decisions were documented.

An update on the Group's stress testing approach was provided to the Committee. There was a focus on potential vulnerable portfolios which were potentially exposed to climate risk.

The Committee considered sustainability risk in the wake of COP26, focusing on disclosing a greater level of detail on energy assets.

Capital, risk appetite and liquidity
Investec Limited and Investec Bank Limited made progress in the application to adopt the Advanced Internal Ratings Based (AIRB) approach for the measurement of capital on the Income Producing Real Estate (IPRE) portfolios currently on the Foundation Internal Ratings Based (FIRB) approach. We received approval from the South African PA to commence a six-month parallel run for the IPRE portfolio on AIRB from 1 April 2022. On full adoption of AIRB, the pro-forma CET 1 ratio would increase by approximately 200bps at 31 March 2022. We received sign off from the South African PA in April 2021 to utilise the Corporate and Small Medium Enterprise (SME) Loan Given Default (LGD) and Exposure at Default (EAD) models in our regulatory calculations.

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

The Committee reviewed and approved the capital plans for IBL and IBP under various stress scenarios. Capital ratios have remained sound throughout the financial year.

We assessed the capital structure of IBL and supported management's recommendation to make an offer to acquire all the issued non-redeemable, non-cumulative, non-participating, variable rate preference shares through a scheme of arrangement (Scheme) or a standby general offer.

Members of the Committee were appointed as an independent committee of the Board to evaluate and express an opinion to the preference shareholders dealing with value and price compared to the consideration proposed to be paid in relation to the Scheme and standby offer.

The Scheme received the requisite approval.

We deliberated on the proposed stress scenarios for the Internal Capital Adequacy Assessment Process (ICAAP). Subsequently, the Investec Limited and Investec plc ICAAPs were recommended for approval to the DLC Board.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

The Investec Bank plc's ILAAP was recommended for approval to the DLC Board along with the Investec plc ILAAP, both of which were approved by the Board.

We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system. Our liquidity positions remained strong and were well within both internal and regulatory limits.

Combined Group disclosures
The Committee considered disclosure on a combined basis of gross counterparty exposures, investments and other instruments held in both Investec plc (Investec Bank plc) and Investec Limited (Investec Bank Limited) in order to obtain a better understanding of exposures from a DLC perspective.

Uncertain Tax and Other Legal Matters
The Committee considered uncertain Tax and Other Legal Matters and concluded on the disclosure provided in note 53 on page 131 of the Investec Group's 2022 annual financial statements.

Refer to the DLC Audit Committee report on pages 99 to 109 of this report in this regard.

Political risk
The impact on stakeholders and employees of the violent protests and riots in South Africa during the year were discussed and reviewed. The Committee examined mitigating steps to ensure operational resilience as well as potential risks emerging from the situation.

Annexures

IN THIS SECTION

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period on period performance. A description of the Group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro forma financial information. The pro forma financial information is the responsibility of the Board of Directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows. External auditors Ernst & Young Inc. performed a review of the pro-forma financial information and the opinion is available for inspection at the registered office of Investec upon request.

Adjusted earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional Tier 1 security holders Refer to page 81 of the Investec Group's 2022 annual financial statements for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders.
Adjusted earnings per share	Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year Refer to page 81 of the Investec Group's 2022 annual financial statements for calculation.
Adjusted operating profit	Refer to the calculation in the table below:

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

Adjusted operating profit per employee	Adjusted operating profit divided by average total employees including permanent and temporary employees
Annuity income	Net interest income plus net annuity fees and commissions Refer to pages 69 to 71 of the Investec Group's 2022 annual financial statements.
Core loans	The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans

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

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

* Includes portfolios for which ECL is not required for IFRS purposes, but which management evaluates on this basis.

ALTERNATIVE PERFORMANCE MEASURES
CONTINUED

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

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

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
Dividend payout ratio	Ordinary dividend per share divided by adjusted earnings per share
Gearing ratio	Total assets excluding assurance assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net tangible asset value per share	Tangible ordinary shareholders' equity (which excludes goodwill and other acquired intangible assets) divided by the number of shares in issue Refer to calculation on page 59 of the Investec Group's 2022 year-end results booklet.
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on pages 69 to 70 of the Investec Group's 2022 annual financial statements.
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on average ordinary shareholders' equity (ROE)	Adjusted earnings attributable to ordinary shareholders divided by average ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2022 year-end results booklet.
Return on average tangible ordinary shareholders' equity	Adjusted earnings attributable to ordinary shareholders divided by average tangible ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2022 year-end results booklet.
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pound Sterling)
Staff compensation to operating income ratio	All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests)

DEFINITIONS

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

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

Refer to page 81 of the Investec Group's 2022 annual financial statements for the calculation of diluted earnings per share.

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

Refer to page 81 of the Investec Group's 2022 annual financial statements for the calculation of earnings per share.

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

Funds under management
Consists of funds managed by the Wealth & Investment business and by the Property business (which forms part of the Specialist Bank).

Headline earnings per share
Headline earnings is calculated in accordance with the JSE listing requirements and in terms of circular 1/2019 issued by the South African Institute of Chartered Accountants. Headline earnings per share calculated by dividing the Group's headline earnings by the average number of shares which it had in issue during the accounting period.

Refer to page 81 of the Investec Group's 2022 annual financial statements for the calculation of headline earnings per share.

Interest-bearing liabilities
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, liabilities arising on securitisation of own originated loans and advances, and finance lease liabilities. Refer to page 69 of the Investec Group's 2022 annual financial statements for calculation.

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, core loans, other debt securities, other loans and advances, other securitised assets, and finance lease receivables. Refer to page 69 of the Investec Group's 2022 annual financial statements for calculation.

Legacy business in the UK Specialist Bank ('Legacy')
Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking.

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

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 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited.

Strategic actions
Comprises the closure and rundown of the Hong Kong direct investments business, the demerger of the asset management business and the 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 56 for detail.

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

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

Weighted number of ordinary shares in issue
The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the Group less treasury shares. Refer to calculation on page 81 of the Investec Group's 2022 annual financial statements.

GLOSSARY

ABC	Anti-bribery and corruption	GDP	Gross domestic product
ADR Forum	Arrears, Default and Recovery Forum	Group ERC	Group Executive Risk Committee
AFS	Available for sale	GFSC	Guernsey Financial Services Commission
AIRB	Advanced Internal Ratings-Based	GMRA	Global Master Repurchase Agreement
ALCO	Asset and Liability Committee	GMSLA	Global Master Securities Lending Agreement
AML	Anti-money laundering	HNW	High net worth
APRA	Australian Prudential Regulation Authority	HQLA	High quality liquid assets
AT1	Additional Tier 1	IAPF	Investec Australia Property Fund
BASA	Banking Association of South Africa	IBL	Investec Bank Limited
BBLS	Bounce Back Loan Scheme	IBL BRCC	IBL Board Risk and Capital Committee
BCBS	Basel Committee of Banking Supervision	IBL ERC	IBL Executive Risk Committee
BIS	Bank for International Settlements	IBL Review ERRF	IBL Review Executive Risk Review Forum
BoE	Bank of England	IBOR	Interbank offered rate
BOM	Bank of Mauritius	IBP	Investec Bank plc
BRCC	Board Risk and Capital Committee	IBP BRCC	IBP Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive	IBP ERC	IBP Executive Risk Committee
CBILS	Coronavirus Business Interruption Loan Scheme	IBP Review ERRF	IBP Review Executive Risk Review Forum
CCB	Capital Conservation Buffer	ICAAP	Internal Capital Adequacy Assessment Process
CCR	Counterparty credit risk	IEP	IEP Group
CCyB	Countercyclical Capital Buffer	IFRS	International Financial Reporting Standard
CDS	Credit default swap	ILAAP	Internal Liquidity Adequacy Assessment Process
CET1	Common Equity Tier 1	IRRBB	Interest Rate Risk in the Banking Book
CFP	Contingency funding plan	ISDA	International Swaps and Derivatives Association
CFT	Combating the financing of terrorism	IW&I	Investec Wealth & Investment
CLBILS	Coronavirus Large Business Interruption Loan Scheme	JSE	Johannesburg Stock Exchange
CLF	Committed liquidity facility	LCR	Liquidity coverage ratio
COFI Bill	Conduct of Financial Institutions Bill	LGD	Loss given default
COVID	Corona Virus Disease	LIBOR	London Inter-bank Offered Rate
CRD IV	Capital Requirements Directive IV	MDR	Mandatory Disclosure Rules
CRR	Capital Requirements Regulation	MiFID	Markets in Financial Instruments Directive
CRS	Common Reporting Standard	MREL	Minimum Requirements for Own Funds and Eligible Liabilities
CSA	Credit Support Annex	NSFR	Net stable funding ratio
CVA	Credit valuation adjustment	OCI	Other comprehensive income
D-SIB	Domestic systemically important bank	OECD	Organisation for Economic Co-operation and Development
DLC	Dual listed company	OTC	Over the counter
DLC BRCC	DLC Board Risk and Capital Committee	PCAF	Partnership for Carbon Accounting Financials
DLC Nomdac	DLC Nominations and Directors Affairs Committee	PD	Probability of default
DLC SEC	DLC Social and Ethics Committee	PRA	Prudential Regulation Authority
DLC Remco	DLC Remuneration Committee	RLS	Recovery Loan Scheme
EBA	European Banking Authority	RWA	Risk-weighted asset
ECL	Expected credit loss	S&P	Standard & Poor's
EP	Equator Principles	SA-CCR	Standardised Approach to Counterparty Credit Risk
ES	Expected shortfall	SARS	South African Revenue Service
ESG	Environmental, social and governance	SBTi	Science Based Targets initiative
EU	European Union	SICR	Significant increase in credit risk
Euribor rate	Euro interbank offered rate	SME	Small and Medium-sized Enterprises
EVT	Extreme value theory	SOE	State-owned Enterprise
FATCA	Foreign Account Tax Compliance Act	South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
FCA	Financial Conduct Authority	SPPI	Solely payments of principal and interest
FINMA	Swiss Financial Market Supervisory Authority	SREP	Supervisory Review and Evaluation Process
FIRB	Foundation Internal Ratings Based	sVaR	Stressed VaR
FPC	Financial Policy Committee	TCFD	Task Force on Climate-related Financial Disclosures
FSLAB	Financial Sector Laws Amendment Bill	TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
FSR Act	Financial Sector Regulation Act 9 of 2017	TTP	Temporary transitional powers
FVOCI	Fair value through other comprehensive income	UK	United Kingdom
FVPL	Fair value through profit and loss	VaR	Value at Risk

CORPORATE INFORMATION

Investec plc and Investec Limited

Secretary and registered office
Investec plc
David Miller
30 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited
Niki van Wyk
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (27) 11 286 7000
Facsimile (27) 11 286 7966

Website
www.investec.com

Registration number
Investec plc
Registration number 3633621

Investec Limited
Registration number 1925/002833/06

Auditors
Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone (44) 370 707 1077

Transfer secretaries in South Africa
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107
Telephone (27) 11 370 5000

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

For queries regarding information in this document

Investor Relations

Telephone	(27) 11 286 7070
	(44) 20 7597 5546
Email	investorrelations@investec.com
Website	www.investec.com/en_za/#home/investor-relations.html

Design and production:
radley yeldar.
www.ry.com

Investec