Investec

OUT OF THE ORDINARY

Creating enduring worth

Investec annual report 2023

Investec Bank plc annual financial statements

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

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 2023 sustainability report which is published and available on our website:
www.investec.com

Reporting standard
Denotes our consideration of a reporting standard.

Unaudited information
Indicated information which has not been audited.

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

- The risk management section in section 3 of this report which provides a description of the principal risks and uncertainties facing the company; and
- The Group's 2023 sustainability report on our website which highlights the sustainability, economic, social and environmental considerations.

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

Feedback

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

For queries regarding information in this document:

Investor relations
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Email: investorrelations@investec.com

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

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Operational and strategic overview

IN THIS SECTION

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

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

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

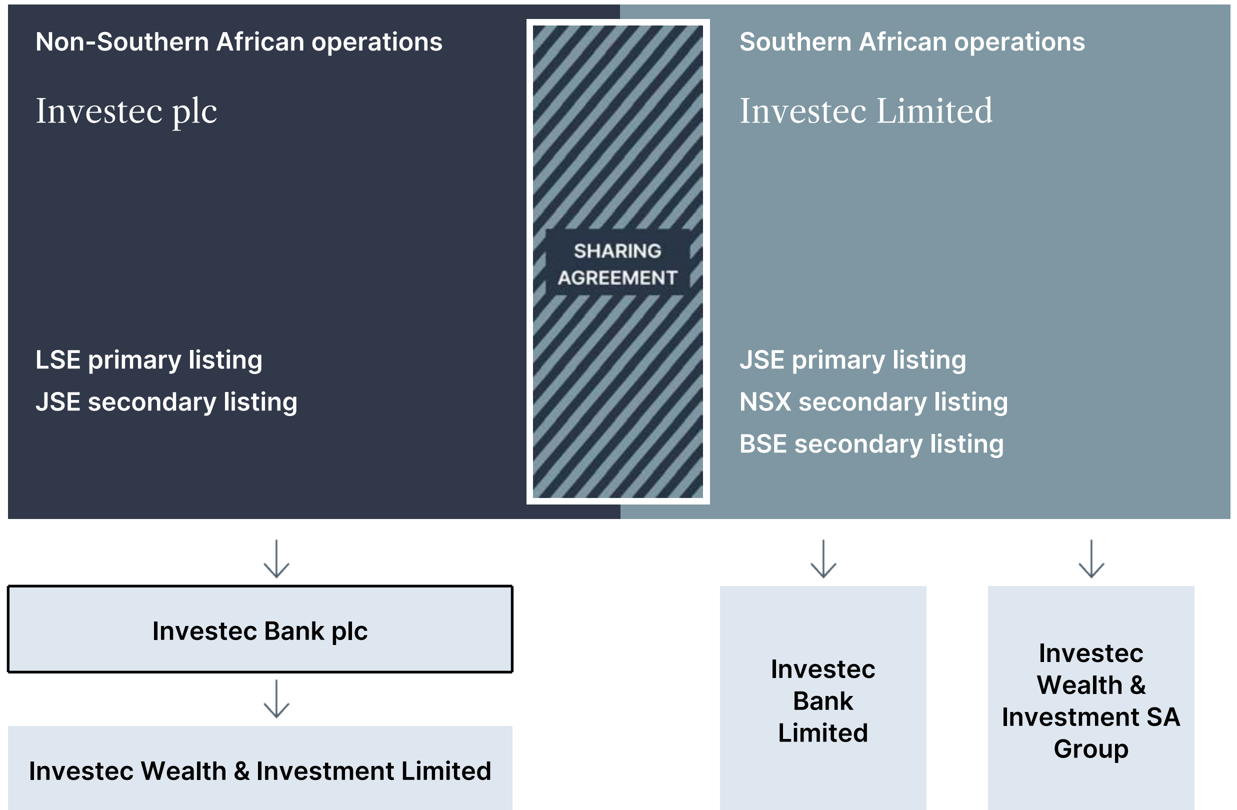
In terms of our DLC structure, Investec Limited is the holding company of our businesses in Southern Africa, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec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

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

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

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

How we are structured



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

Salient features of the DLC structure

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

OUR BUSINESS AT A GLANCE

One Investec

Our purpose

Our purpose is to create enduring worth.

Our mission

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

Our distinction

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

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

Our strategic direction

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

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

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

Our values*

- Deep client partnerships, built on trust and out-of-the-ordinary service, are the bedrock of our business
- We are dedicated to building meaningful relationships with all our stakeholders
- We uphold cast-iron integrity in all we do
- We are committed to living in society, not off it
- We embrace our responsibility to the environment
- We thrive on change and challenge convention with courage, constantly adapting to an ever-changing world
- We believe in open and honest dialogue to test decisions, seek consensus and accept responsibility
- We trust our people to exercise their judgement, promoting entrepreneurial flair and freedom to operate within the context of prudent risk parameters and unwavering adherence to our values
- We embrace diversity in a deeply caring organisation in which everyone can bring their whole selves.

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

OUR STRATEGIC OBJECTIVES

Driving sustainable long-term growth

Building on the successes to simplify, focus and grow the business over the last years, we are well placed to pursue disciplined growth in the long-term pursuit of our purpose of creating enduring worth.

This growth will be pursued through our deep specialisations, with more emphasis being placed on what we can do for our clients if we act in an integrated way to bring the best of Investec to every relationship and interaction.

This involves further pursuing cross client franchise integration strategies and significantly improving internal operating efficiencies.

The One Investec mindset

One Investec embodies our commitment to bring the best of Investec to every client relationship and interaction. It is premised on our obsession with client service and deep specialisation delivered in an integrated manner.

- Is a commitment to drawing on the full breadth and depth of relevant capabilities to meet the needs of each client, regardless of specialisation or geography
- Is about improving internal operating efficiencies, ensuring that investments in infrastructure and technology support our differentiated service offering across the entire Group
- Demands a disciplined approach to optimising returns, not merely for one region or business area but for the Group as a whole

Fuelling a robust growth agenda

Growth objectives

- Continued execution with discipline to drive **optimisation of returns**
- Accelerate and scale **new growth initiatives**
- Further develop **connected client eco-systems** across business units & geographies

Underpinned by

- Deepening our **entrepreneurial culture** (Out of the Ordinary)
- Continuous **digitalisation**
- **Strategic** use of **data**

OUR BUSINESS MODEL

Creating sustainable, long-term value

Key highlights

Core areas of activity	Total employees	Core loans	Customer deposits	Funds under management
2	3 500+	£15.6bn	£19.3bn	£42.4bn

Our clients and offering

• Corporate • Institutional • Private Equity • Intermediary • Government

↓

Specialist Banking

Lending
Transactional banking
Advice
Hedging
Cash deposits and savings
Equity placement

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

↓

Wealth & Investment

Discretionary wealth management
Investment advisory services
Financial planning

Our approach

- We have market-leading, distinctive client franchises
- We provide a high level of client service enabled by comprehensive digital platforms
- We are a people business backed by our Out of the Ordinary culture and entrepreneurial spirit

Our stakeholders

To see a full list of our stakeholders, read more on pages 15 to 20.

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

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

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

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

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC

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

Specialist Banking

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

What makes us distinct?

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

Focus on helping our clients create and preserve wealth	A highly valued partner and adviser to our clients
High net worth private clients	Corporate, private, intermediary, government and institutional clients
Private client banking activities	Corporate and investment banking activities
• Lending • Private capital • Transactional banking • Savings • Foreign exchange.	• Lending • Treasury and risk management solutions • Advisory • Institutional research, sales and trading.
UK **Channel Islands**	**UK and Europe** **Channel Islands** **USA** **India**
Our high-touch and high-tech private client offering provides transactional banking, lending, private capital, savings and foreign exchange tailored to suit our clients' needs. Our target market includes high net worth (HNW) active wealth creators (with >£300 000 annual income and >£3mn NAV). Our savings offering targets primarily UK retail savers.	Our client-centric, solution-driven offering provides Corporate Banking and Investment Banking services to private companies, private equity and sponsor-backed companies and publicly listed companies.

Natural linkages between the private client and corporate business

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC CONTINUED

Wealth & Investment

A leading private client investment manager in the UK

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

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

The Boards of Investec plc and Rathbones Group plc reached an agreement for an all-share combination of Investec Wealth & Investment Limited (excluding Investec Bank (Switzerland) AG) and Rathbones (subject to regulatory and other approvals). This will create the UK's largest discretionary wealth manager with £100bn in FUMA, giving it scale to support future growth and increasing our relevance in the UK. For further detail, refer to the Wealth & Investment divisional review on page 30.

What makes us distinct?

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

Our client groups

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

Distribution channels

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

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

Our offering

UK and Europe

Investment and savings

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

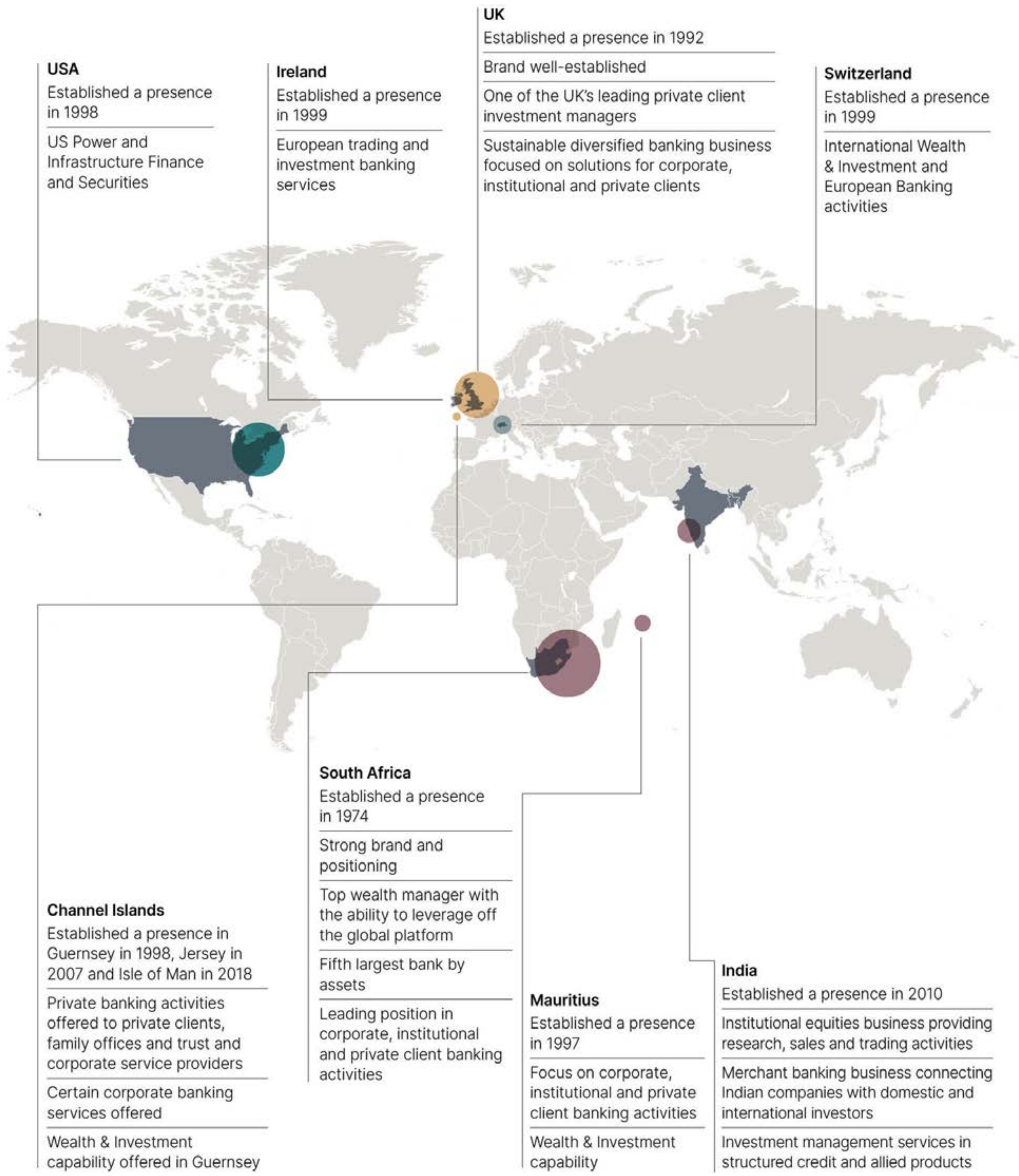
Financial planning

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

Pensions and retirement

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

OUR OPERATIONAL FOOTPRINT



OUR PERFORMANCE AT A GLANCE

Delivered a strong set of results in volatile markets

Adjusted operating profit increased 42.1%

£408.8mn

2022: £287.7 million

Earnings attributable to shareholder increased 34.7%

£313.6mn

2022: £232.9 million

- Pre-provision adjusted operating profit for the financial year ended 31 March 2023 increased, supported by continued client acquisition, increased client activity, enhanced cross-collaboration, rising interest rates and higher average advances
- The strong revenue growth experienced in the first half of the financial year continued into the second half. Net interest income benefitted from higher average interest-earning assets and rising global interest rates. Increased client activity contributed to non-interest revenue over the year, off-set by lower fees from equity capital markets
- Operating costs increased by 9.6% year on year driven by an increase in variable remuneration in line with improved business performance, inflationary pressures and investment in people and technology
- ECL impairment charges totalled £66.7 million, resulting in a credit loss ratio of 0.37% (2022: 0.17%). The increase in ECL charges was driven by an increase in modelled ECLs due to forward-looking macro-economic assumptions and Stage 3 ECL charges on certain exposures. Post-model management overlay of £11.9 million raised since the onset of the COVID-19 pandemic was released and is now reflected in-model. A management overlay of £4.9 million was retained to account for risks judged as not reflected in-model
- The UK domestic Wealth & Investment business reported a 1.3% increase in adjusted operating profit driven predominantly by net interest income from rising global interest rates, offset by a decrease in net fee and commission income as a result of lower market levels, and subdued net inflows
- We have maintained good net new client inflows similar to the prior year but have seen lower net client flows from existing clients, which is expected given the high inflationary and interest rate rise environment. Net inflows of £608.0 million resulted in net organic growth in funds under management of 1.4% (2022: 2.9%)
- FUM declined to £42.4bn at 31 March 2023 (2022: £44.4bn) largely reflecting unfavourable market movements
- The Specialist Banking client franchises performed strongly, showing continued traction in our growth strategies across the business. There was strong revenue growth across our lending franchises and increased trading income given heightened market volatility during the year
- Net core loans grew by 7.9% since 31 March 2022. This was driven by growth in residential mortgages, continued client acquisition and strong demand for corporate credit across multiple portfolios. There was a marked slow-down in loan growth during the second half of the year given heightened uncertainty in the UK and rising global interest rates at the beginning of 2H2023, however, the impact on lending activity has begun to abate
- Taken together, Investec Bank plc reported an adjusted operating profit of £408.8 million for the year (2022: £287.7 million).

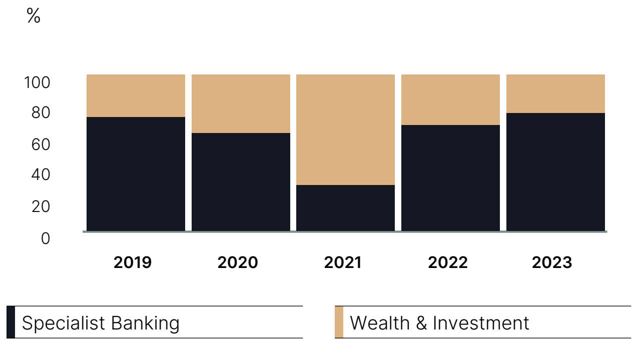
OUR PERFORMANCE AT A GLANCE
CONTINUED

Financial performance

Adjusted operating profit increased 42.1%	2023 £408.8mn 2022 £287.7mn
Annuity income as a % of total operating income	2023 80.9% 2022 75.9%
Cost to income ratio	2023 63.7% 2022 70.8%
Credit loss ratio	2023 0.37% 2022 0.17%

Diversified business model

Contribution of adjusted operating profit



Continued growth of our key earnings drivers

Customer accounts (deposits)

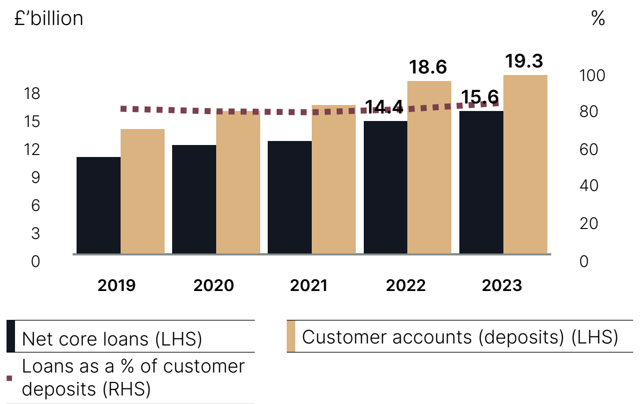
increased 3.4% to
£19.3 billion

Core loans

increased 7.9% to
£15.6 billion

Customer accounts (deposits) and loans

£'billion



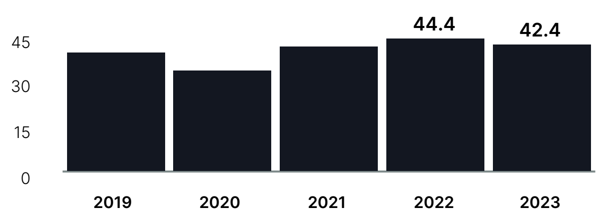
Funds under management

decreased 4.5% to
£42.4 billion

reflecting unfavourable market movements

Funds under management

£'billion

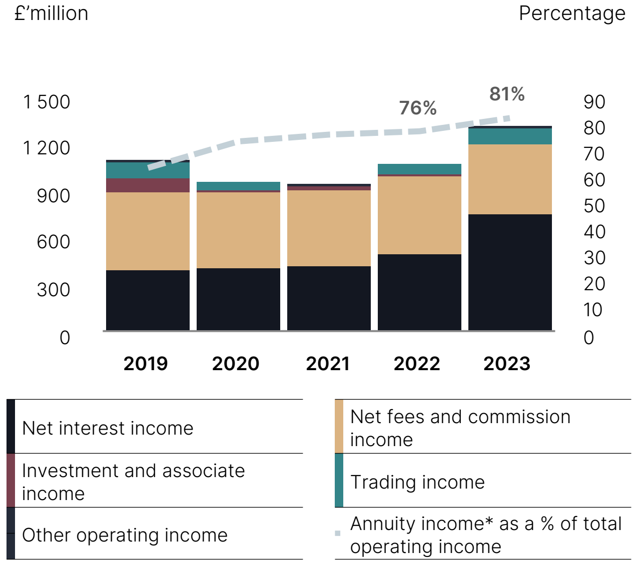


OUR PERFORMANCE AT A GLANCE
CONTINUED

Strong and improved annuity base

Total operating income

£'million

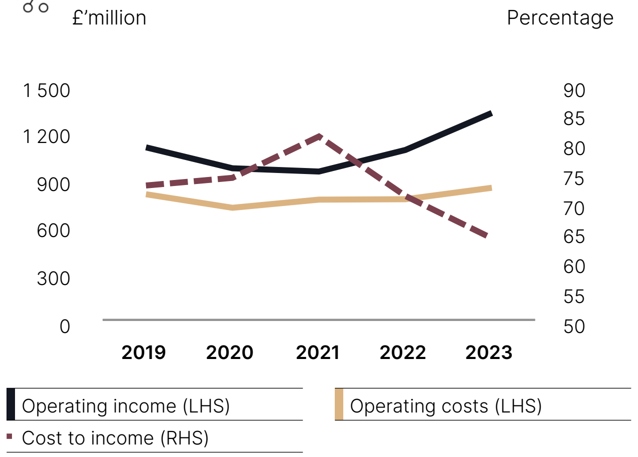


* Where annuity income is net interest income and annuity fees.

Revenue was driven by strong net interest income growth and increased client trading income from customer flow given heightened market volatility during the year

Jaws ratio

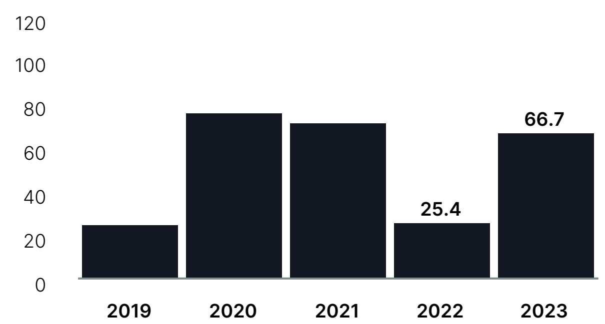
£'million



The cost to income ratio improved as revenue grew ahead of costs. Operating costs increased due to an increase in variable remuneration in line with performance, inflationary pressures, investment in people and technology, and post-pandemic normalisation in certain discretionary expenditure

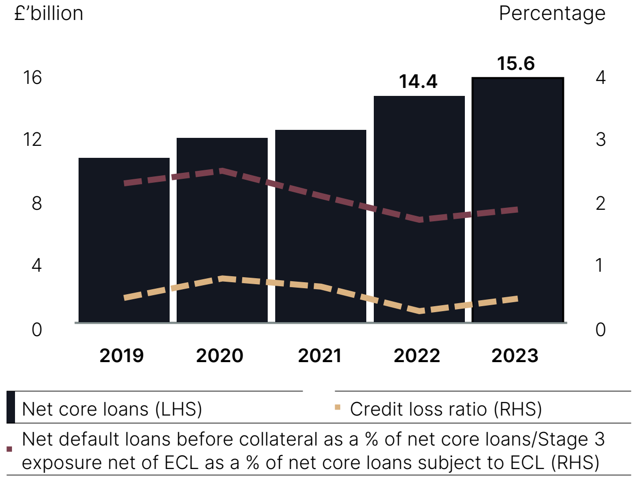
Expected credit loss (ECL) impairment charges

£'million



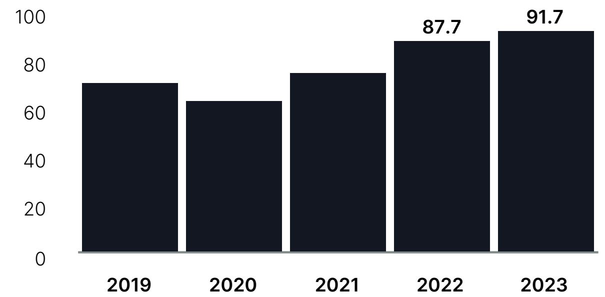
Default and core loans

£'billion



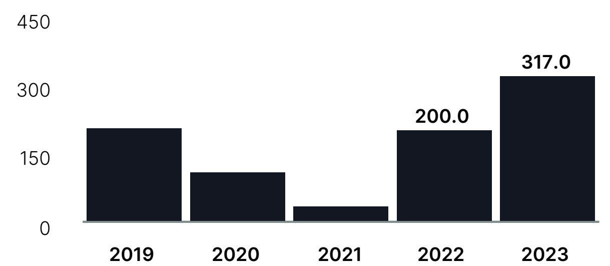
Adjusted operating profit – Wealth & Investment

£'million



Adjusted operating profit – Specialist Banking

£'million



OUR PERFORMANCE AT A GLANCE
CONTINUED

Maintained a sound balance sheet

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

Capital management

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

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

We are comfortable with our Common Equity Tier 1 (CET1) ratio at 12.7% given our solid capital light revenues, and with the leverage ratio at 9.8%.

Capital ratios

	31 March 2023^^	31 March 2022^^
Common Equity Tier 1 ratio*	12.7%	12.0%
Common Equity Tier 1 ratio (fully loaded)**	12.4%	11.6%
Tier 1 ratio*	14.1%	13.6%
Total Capital ratio*	18.5%	18.2%
Leverage ratio^	9.8%	9.3%
Leverage ratio (fully loaded)^**	9.6%	9.1%

* The CET1, Tier 1 and Total Capital ratios are calculated applying the IFRS 9 transitional arrangements (including the changes introduced by the 'quick fix' regulation adopted in June 2020).
** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).
^ The leverage ratios are calculated on an end-quarter basis.
^^ The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating the CET1 ratio. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2023 and 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 21bps (31 March 2022: 37bps) higher, on this basis.

Note: Refer to pages 270 to 273 for further details.

A well-established liquidity management philosophy remains in place

Continued to focus on:

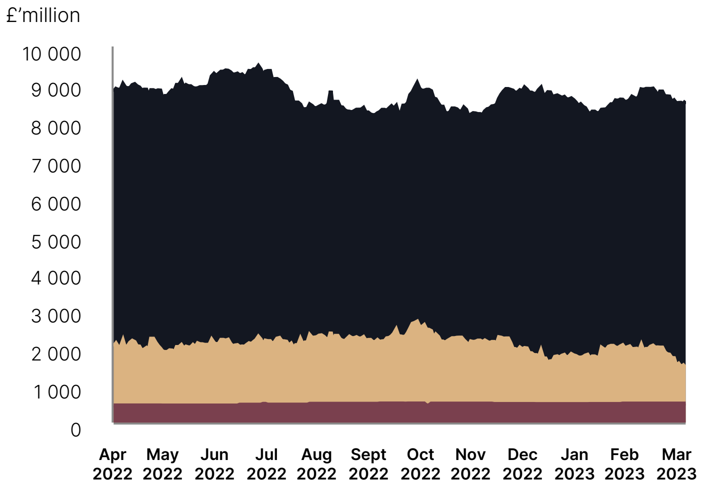
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%, with the year-end ratio at 44.4%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Maintaining low reliance on wholesale funding
- Benefitting from a growing retail deposit franchise and recording an increase in customer deposits.

Liquidity remains strong with cash and near cash balances amounting to £8.6 billion (2022: £8.9 billion). Average cash balances remained high as we maintained a conservative position.

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

The Bank's loan to deposit ratio was 80.9% (2022: 77.5%).

Cash and near cash trend



Central bank cash placement and guaranteed liquidity
Cash
Near cash (other 'monetisable' assets)

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)

Listening to and engaging with our stakeholders

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

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

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

Section 172(1) statement

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

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

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

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

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

Clients

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

What matters to them

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

How we engage

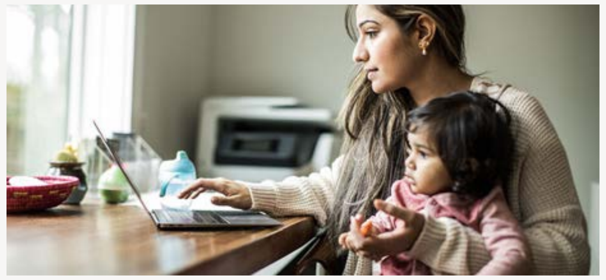
- Client engagement is managed on a day-to-day basis by senior management and client relationship managers. The Board receives regular updates from senior management on key client issues
- Client engagement methods have returned to predominantly face-to-face meetings post the COVID-19 pandemic
- Comprehensive, user-friendly website and mobile app
- Regular telephone and email communications
- Industry relevant events and client marketing events, both of which have returned to in-person interactions.

FY2023 highlights

- We have further developed our 'One Investec' approach, which brings all of Investec that is relevant to every client. It is a coordinated approach with the client at the centre. In the UK mid-market, the breadth and diversity of offering to clients is unmatched. We have now integrated ourselves structurally around client groupings. This has enabled us to leverage the whole of our capability to provide solutions most relevant to clients' needs
- The private client franchise grew their client base by 9%, a large number of new clients were introduced via referrals by existing Investec clients.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT) CONTINUED

Our people*



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

What matters to them

- The purpose of the organisation
- Culturally aligned leadership
- Meaningful communication
- Learning, development and career progression
- Belonging, Inclusion and Diversity (BID) and equality
- Wellbeing
- Fair remuneration
- Sustainable working practices
- High degrees of flexibility
- Positive contributions to society.

How we engage

- Designated Non-Executive Director overseeing workforce engagement
- Regular CEO town hall discussions to keep staff up to date with strategic priorities and performance, supplemented by ongoing staff communication including email updates, staff intranet and other digital channels
- An induction programme for new employees which seeks to inculcate our purpose, culture, values and strategic intent, hosted by the CEO and senior leaders
- Ongoing learning, leadership and diversity programmes offered to all employees
- Tailored internal investor relations presentations on IBP results, strategy updates and general feedback from the market
- Bank Leadership Forum: a space for leadership of the bank to come together and engage on key areas such as purpose, values and our culture
- Bespoke application and intranet to support purposeful communication, wellbeing and learning of our people.

FY2023 highlights

- Resumed spending most of our time in office, face to face with high degrees of flexibility, allowing employees freedom to operate in the context of high-performing teams
- A once-off cost-of-living allowance awarded to all employees in the UK earning a salary below a certain threshold in recognition of the unprecedented increase in the cost of living across the UK
- Reduced the gender pay gap for the fifth consecutive year in the UK.

* Includes permanent employees, temporary employees and contractors.

Debt investors

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

What matters to them

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

How we engage

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

FY2023 highlights

- Organised three debt roadshows in the UK/Europe which raised over £550mn of debt.

Engaged with

>100

debt investors/lenders throughout the year

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT) CONTINUED

Communities

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

What matters to them

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

How we engage

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

FY2023 highlights

- 17 people involved in the Beyond Business Programme in the UK providing more than 66 hours of advice
- Staff volunteered 737 hours of their time at the Felix Project as part of our response to the cost of living crisis
- Colleagues in our India office volunteered 30 hours and provided US$54 931 to five charities, including Olympic Gold Quest, Salaam Bombay, Animals Matter to Me, Sanjeevani – Life Beyond Cancer and Rescue Foundation
- Arrival have adapted over the past two years to ensure that young people and volunteers could participate in the programme remotely. We have supported 2 108 Arrival learners in the UK over the past 14 years.

£2.0mn

spent on community initiatives (2022: £1.7mn)

Further information can be found in the Group's 2023 sustainability report which is published and available on the Investec website.

Government and regulators

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

What matters to them

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

How we engage

- Our Chair, CEO, Executive Directors and the Board hold regular meetings with the UK Prudential Regulation Authority
- IW&I Head of Compliance and Risk has regular and ongoing interactions with the UK Financial Conduct Authority (FCA). IW&I Board members also meet the FCA periodically
- Active participation in a number of policy forums
- Engagement with industry consultative bodies.

FY2023 highlights

- Approval for the appointment of Marlé van der Walt as Finance Director of IBP
- Conducted a joint simulation exercise to test a simultaneous recovery scenario and the governance framework with the support of regulators.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

ESG and climate-focused industry bodies and analysts

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

What matters to them

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

How we engage

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

FY2023 highlights

- Disclosed our Scope 3 financed emissions covering 78% of our loan book
- Joined the Partnership for Biodiversity Accounting Financials (PBAF)
- Participated in writing the climate curriculum for UN PRB.

Carbon neutral

Achieved carbon neutrality in Scope 1, 2 and operational Scope 3. We are sourcing 100% of our Scope 2 energy from renewables through the purchase of renewable energy certificates. The remaining unavoidable residual emissions of 84% off-set through purchasing verified and high-quality carbon credits.

Suppliers

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

What matters to them

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

How we engage

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

FY2023 highlights

- Consolidated and migrated all our vendor onboarding systems onto one system. The consolidation gives us a 360-degree view of all third parties
- We continue to improve our due diligence processes around financial crime, data security and financial screening. Critical third parties are monitored 24/7 for financial and cyber security.

All of our suppliers are screened against ethical supply chain practices

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT)
CONTINUED

Principal decisions

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

Supporting our people

IBP has dealt with the aftermath of the COVID-19 pandemic and the cost-of-living crisis, with our people returning to the office while still having high degrees of flexibility. With this in mind, the Board focused on the culture of the organisation, as well as the ongoing wellbeing of our people, being on the front foot with our clients, colleagues and our communities.

The Board conducted a review of the organisation's values against its stated purpose and a recommitment to how these values are lived in the organisation. This has been supported by ongoing leadership development, equipping all leaders with the skills to lead within the Investec culture and enable Out of the Ordinary performance.

Strategy in execution

Investec Group shareholders have a keen interest in the strategic progress made by the Group since the 2019 Capital Markets Day (CMD), with a particular interest in the progress made by the UK Specialist Bank. The Bank's 30 plus-year heritage, strong client franchises, specialist expertise, exceptional and Out of the Ordinary people and culture have provided a robust platform to drive growth and deliver improved business performance. The business delivered strong financial performance in the context of an uncertain macro backdrop and volatile markets that prevailed in the current financial year. The Board is pleased that the Bank has achieved the results staff and Investec shareholders expect, however, acknowledges that tough choices were made in order to simplify and focus the business, and strategic plans were executed with great discipline.

The Group Board has continued its regular engagement with shareholders and endeavours to incorporate shareholder feedback in its oversight of strategic execution. The Board is focused on long-term growth which exemplifies our core purpose of creating enduring worth. This growth continues to be pursued by concentrating on what the Bank can do for its clients if it acts in an integrated way to bring the best of Investec to every client. This 'One Investec' strategy is about generating sustainable growth and value for all stakeholders through further cross-business integration strategies and improving internal operating efficiencies. It means ensuring that investments in infrastructure and technology support our service offering across the Bank and includes a disciplined approach to capital allocation, growth strategies and optimisation of returns. In the current financial year, the IBP Board considered and recommended the all-share combination between Investec Wealth & Investment Limited and Rathbones to the Investec Group Board. This is in pursuit of the Group's growth strategy. For more details, refer to page 30.

The Board has overseen internal communications of the 'One Investec' strategy to all staff. Messaging has expressed excitement in building an improved private client business across Bank and Wealth, and propositions across the carefully chosen client segments.

The Group is also in the early stages of developing a plan to move to the Internal Ratings based (IRB) approach in the UK. This decision is consistent with stated strategic priorities to simplify the business and optimise capital, and incorporated input received from Investec Group shareholders.

Commitment to sustainability

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

The Investec Group Board takes ultimate accountability for climate-related issues, supported by the Group's Social and Ethics Committee (DLC SEC) . This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks.

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

Investec's ambition towards net-zero has been strengthened by Investec joining the Net-Zero Banking Alliance (NZBA) at the end of 2021, highlighting the urgency for faster, immediate and more ambitious climate action. We have delivered on our commitment, tabled in the Group's August 2021 AGM, with regards to our net-zero ambitions and disclosed our Scope 3 financed emissions covering 78% of our loan book. In the past year, we have made progress in refining our assumptions and the external quality of the data for emission calculations. We are currently unable to increase our coverage beyond 78% until there is improved external data available across jurisdictions.

We also engaged with SBTi on their recently released recommendations for the Financial Institutions and are refining our proposed targets with the aim of reporting verified SBTi targets in the next financial year.

Further information on the Investec Group's ESG initiatives and progress can be found in the Investec Group's 2023 sustainability report which is published and available on the Investec website.

STAKEHOLDER ENGAGEMENT (SECTION 172 STATEMENT) CONTINUED

Belonging, Inclusion and Diversity Initiatives

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

During the year, the Board has continued to work towards our commitments to address inequalities. Key areas of our strategy have included increasing diversity representation with respect to gender and ethnicity, particularly in senior roles and decision-making forums, improving leader capability and awareness in creating an inclusive work environment, and ensuring our policies and principles entrench a level playing field. Following extensive engagement with employees, the Board has endorsed a number of initiatives this year in support of our strategy including:

- As signatories to the Race at Work Charter, focused on the development of Black, Asian and Minority Ethnic colleagues, we delivered the following:
  - Following the success of the pilot programme in 2021, we delivered our second reciprocal mentoring. The programme pairs senior leaders with people of colour from across the organisation in order to facilitate reciprocal learning and harness the value of difference
  - We hosted an evening with Wol Kalade, a client and co-founder of the #10000 black interns programme, exploring the programme's ability to catalyse the increase in black representation in the City
  - We hosted an evening for clients and colleagues with the award-winning artist, activist, author and poet Akala on Black Britain.
- In continuing the advancement of women into senior positions and into principal decision-making committees we achieved the following:
  - We have exceeded the Women in Finance Charter target of 30% female representation at senior leadership by 2022 achieving 36.8% at 31 March 2023 (31 March 2022: 35.0%)
  - Of 269 (FY2022: 223) external hires made during the year in IBP, 45% (FY2022: 41%) were female
  - Our 2022 Diversity Pay Gap report will include our ethnicity pay gap alongside the gender pay gap. While ethnicity pay gap reporting is not mandatory, we include these results following the same methodology as the gender pay gap. As at 31 March 2022 our mean hourly gender pay gap was 25.6% (2021: 26.2%)^ in IBP and 43.4% (2021: 43.3%)^ in IW&I UK. Our mean hourly ethnicity pay gap was 15.1% (2021: 12.9%)^ in IBP and 23.9% (2021: 20.7%)^ in IW&I UK
  - For the fifth consecutive year we are participating in the 30% Club mentoring scheme, a cross-company programme to boost female representation at board and executive level.

^ Gender and ethnicity pay gap statistics are reported a year in arrears.

- In order to ensure we continue to focus on the creation of an inclusive environment:
  - We continue to offer our Allies programme equipping colleagues with the skills to recognise and address microaggressions, and challenge exclusion. 84 colleagues across IBP have completed the Programme
  - Our BID Champion initiative includes a network of knowledgeable, trained colleagues committed to supporting BID and providing a local point of contact for people
  - We became a proud member of the Business Disability Forum, the leading business membership organisation in disability inclusion in September 2022
  - Our networks, including Young Minds, Pride, Multicultural and Gender Balance, continue to provide a safe space for people to network, offer support and guidance to its members and raise awareness within the organisation
  - We have active employee-led working groups for menopause, neurodiversity and parents of neurodiverse children
  - We continue to run our flagship Zebra Crossing programme, aimed at minimising unconscious bias and raising awareness of multicultural differences at personal, interpersonal and institutional levels.

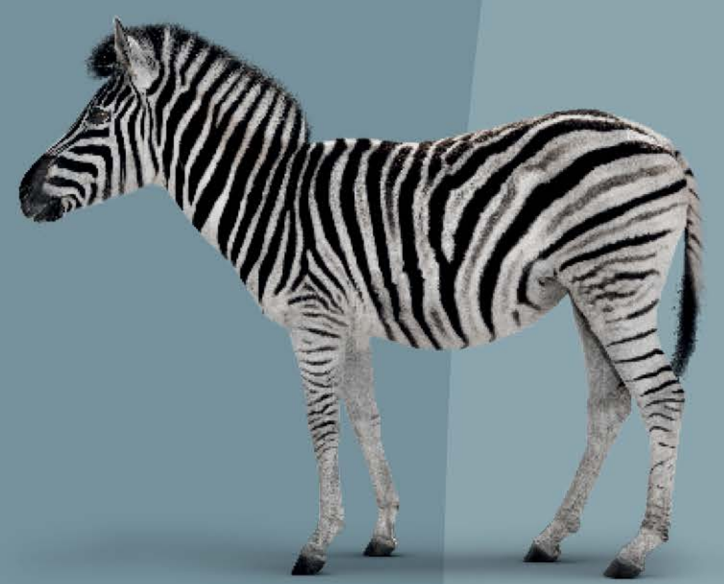
The Board recognises that maintaining a strong focus on BID, and having clear targets and measures to track progress, is critical. BID is integral to Investec's purpose to 'create enduring worth'. The Board firmly believes that improving representation and fostering inclusion and belonging will better enable us to meet our clients' needs.

Further information on our gender, diversity and transformation initiatives and progress can be found in the Investec Group's 2023 integrated annual report as well as in the Investec Group's 2023 sustainability report which is published and available on our website.

Financial review

02

IN THIS SECTION



Investec Bank plc Annual Financial Statements 2023

SALIENT FEATURES

	31 March 2023	31 March 2022	% change
Income statement and selected returns			
Earnings attributable to ordinary shareholders (£'000)	313 609	232 881	34.7%
Adjusted operating profit (£'000)	408 776	287 683	42.1%
Operating costs (£'000)	833 061	760 286	9.6%
Cost to income ratio	63.7%	70.8%	
Return on average assets*	1.1%	0.9%	
Return on average risk weighted assets*	1.8%	1.4%	
Net interest income as a % of operating income	57.2%	46.2%	
Return on average shareholders' equity (post-tax)	12.8%	10.4%	
Return on average tangible shareholders' equity (post-tax)	14.6%	12.0%	
Non-interest income as a % of operating income	42.8%	53.8%	
Annuity income as a % of total operating income	80.9%	75.9%	

	31 March 2023	31 March 2022	% change
Balance sheet			
Total assets (£'million)	28 243	27 589	2.4%
Net core loans (£'million)	15 563	14 423	7.9%
Cash and near cash balances (£'million)	8 550	8 871	(3.6%)
Customer accounts (deposits) (£'million)	19 251	18 616	3.4%
Funds under management (£'million)	42 422	44 419	(4.5%)
Gearing ratio (total assets to equity)	10.1x	10.8x	
Level 3 (fair value assets) as a % of total assets	6.5%	6.5%	
Core loans to equity ratio	5.6x	5.7x	
Loans and advances to customers as a % of customer deposits	80.9%	77.5%	
Credit loss ratio	0.37%	0.17%	
Stage 3 exposures as a % of gross core loans subject to ECL	2.3%	2.1%	
Stage 3 exposures net of ECL as a % of net core loans subject to ECL	1.8%	1.6%	
Other regulatory ratios			
LCR (IBP solo basis)	432%	476%	
NSFR (IBP solo basis)	138%	136%	
Capital and leverage^			
Total Capital ratio	18.5%	18.2%	
Tier 1 ratio	14.1%	13.6%	
Common Equity Tier 1 ratio	12.7%	12.0%	
Leverage ratio	9.8%	9.3%	

* Average balances are calculated on a straight-line average.
^ The capital and leverage ratios are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

FINANCIAL REVIEW

Overview

Investec Bank plc reported an adjusted operating profit of £408.8 million for the year ended 31 March 2023 (2022: £287.7 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2022.

Income statement analysis

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

Total operating income before expected credit loss impairment charges

Total operating income before expected credit loss impairment charges of £1 308.6 million was 21.9% higher than the prior year. The various components of total operating income are analysed below.

£'000	31 March 2023	% of total income	31 March 2022	% of total income	% change
Net interest income	749 025	57.2%	496 308	46.2%	50.9%
Net fee and commission income	440 843	33.7%	494 232	46.1%	(10.8%)
Investment income	5 003	0.4%	10 579	1.0%	(52.7%)
Share of post-taxation profit of associates and joint venture holdings	660	0.1%	1 988	0.2%	(66.8%)
Trading income/(loss) arising from					
– customer flow	87 366	6.7%	60 372	5.6%	44.7%
– balance sheet management and other trading activities	13 060	1.0%	(1 305)	(0.1%)	(>100%)
Other operating income	12 620	1.0%	11 158	1.0%	13.1%
Total operating income before expected credit loss impairment charges	**1 308 577**	**100.0%**	**1 073 331**	**100.0%**	**21.9%**

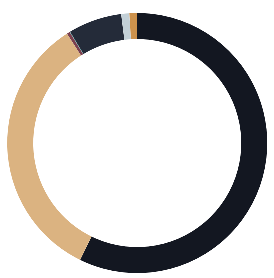
The following table sets out information on total operating income before expected credit loss impairment charges on loans and advances by division for the year under review:

£'000	31 March 2023	% of total income	31 March 2022	% of total income	% change
Wealth & Investment	361 920	27.7%	347 182	32.3%	4.2%
Private Banking	135 494	10.4%	75 294	7.0%	80.0%
Corporate, Investment Banking and Other	811 163	62.0%	650 856	60.6%	24.6%
Total operating income before expected credit loss impairment charges	**1 308 577**	**100.0%**	**1 073 332**	**100.0%**	**21.9%**

% of total operating income before expected credit loss impairment charges

31 March 2023

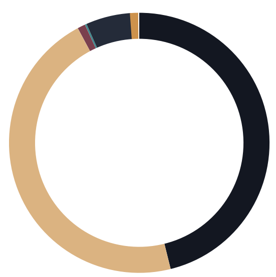
£1 308.6 million total operating income before expected credit loss impairment charges



Net interest income	57.2%
Net fee and commission income	33.7%
Investment income	0.4%
Share of post-taxation profit of associates and joint venture holdings	0.1%
Trading income arising from customer flow	6.7%
Trading income arising from balance sheet management and other trading activities	1.0%
Other operating income	1.0%

31 March 2022

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



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

FINANCIAL REVIEW
CONTINUED

Net interest income

Net interest income increased by 50.9% to £749.0 million (2022: £496.3 million), driven by higher average interest earning assets and the positive effect of rising global interest rates.

For a further analysis of interest received and interest paid refer to page 142.

Net fee and commission income

Net fee and commission income decreased by 10.8% to £440.8 million (2022: £494.2 million), due to lower fees from equity capital markets and lower market levels. This was partially off-set by higher advisory fees from Growth and Leveraged Finance and Fund Solutions.

For a further analysis of net fee and commission income refer to page 142.

Investment income

Investment income of £5.0 million (2022: £10.6 million) was lower than the prior year due to fair value adjustments on investments and lower dividend income.

For a further analysis of investment income refer to page 143.

Trading income

Trading income from customer flow netted an income of £87.4 million (2022: £60.4 million), reflecting strong client activity levels in our interest rate and currency desks given market volatility.

Trading income from balance sheet management and other trading activities increased to a gain of £13.1 million (2022: loss of £1.3 million) reflecting the positive positioning in balance management activities.

Other operating income

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

Expected credit loss impairment charges

Total ECL impairment charges increased to £66.7 million (2022: £25.4 million), driven by an increase in modelled ECLs due to forward looking macro-economic assumptions and Stage 3 ECL charges on certain exposures. The credit loss ratio is trending towards the top end of the through-the-cycle range at 0.37% (2022: 0.17%), and the ECL coverage ratio of our Stage 1 loan book remained at 0.29%.

Stage 3 exposures increased to £343 million at 31 March 2023 (2022: £291 million) equating to 2.3% of gross loans subject to ECL(2022: 2.1%).

Refer to pages 236 for further information on asset quality and page 237 for a breakdown of the expected credit loss impairment charges.

FINANCIAL REVIEW
CONTINUED

Operating costs

Operating costs increased by 9.6% to £833.1 million (2022: £760.3 million), driven by an increase in variable remuneration in line with performance, inflationary pressures, investment in people and technology, and the post-pandemic normalisation in certain discretionary expenditure. The cost to income ratio improved to 63.7% (2022: 70.8%).

The various components of operating costs are analysed below:

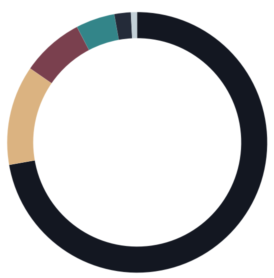
£'000	31 March 2023	% of operating costs	31 March 2022	% of operating costs	% change
Staff costs (including directors' remuneration)	601 816	72.2%	553 767	72.8%	8.7%
Premises expenses (including depreciation)	40 299	4.8%	40 813	5.4%	(1.3%)
Equipment expenses (excluding depreciation)	64 390	7.7%	54 266	7.1%	18.7%
Business expenses	103 065	12.4%	90 407	11.9%	14.0%
Marketing expenses	17 113	2.1%	13 028	1.7%	31.4%
Depreciation, amortisation and impairment of equipment and intangibles	6 378	0.8%	8 005	1.1%	(20.3%)
Operating costs	**833 061**	**100.0%**	**760 286**	100.0%	**9.6%**

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

£'000	31 March 2023	% of operating costs	31 March 2022	% of operating costs	% change
Wealth & Investment	270 195	32.4%	259 496	34.1%	4.1%
Private Banking	58 996	7.1%	42 034	5.5%	40.4%
Corporate, Investment Banking and Other	503 870	60.6%	458 756	60.3%	9.8%
Operating costs	**833 061**	**100.1%**	**760 286**	**100.0%**	**9.6%**

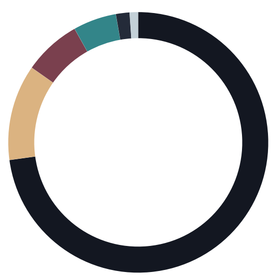
% of operating costs

31 March 2023
£833.1 million total operating costs



Staff costs	72.2%
Business expenses	12.4%
Equipment expenses (excluding depreciation)	7.7%
Premises expenses (including depreciation)	4.8%
Marketing expenses	2.1%
Depreciation, amortisation and impairment of equipment and intangibles	0.8%

31 March 2022
£760.3 million total operating costs



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

FINANCIAL REVIEW
CONTINUED

Adjusted operating profit

As a result of the foregoing factors, adjusted operating profit increased by 42.1% from £287.7 million to £408.8 million.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £12.6 million largely relates to the amortisation of amounts attributable to client relationships in the Wealth & Investment business.

Taxation on operating profit before acquired intangibles and strategic actions

The increase in the effective operational tax rate from 14.8% to 20.4% was driven by increase in bank surcharge and reduction in the tax credit arising due to changes in tax rates. For further details, refer to note 10 on page 149.

£'000	2023	2022	31 March 2023 £'000	31 March 2022 £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	20.4%	14.8%	83 288	42 174	97.5%

Balance sheet analysis

Since 31 March 2022:

- Total equity increased by 9.5% to £2.8 billion (2022: £2.5 billion), as a result of the increase in retained income.
- Total assets increased by 2.4% to £28.2 billion (2022: £27.6 billion), largely as a result of reasonable loan book growth.
- Total liabilities increased by 1.6% to £25.5 billion (2022: £25.0 billion), primarily driven by growth in customer accounts (deposits).

WEALTH & INVESTMENT

Business Head

Iain Hooley

Awards

Won 'Best Discretionary Fund Manager' at the Moneyfacts Investment Life & Pension Awards

Won 'Customer-Facing Digital Capabilities', 'Diversity and Inclusion in Wealth Management' and 'UK Wealth Planning Team' at the WealthBriefing European Awards

Winner of the 'London' Category at CityWire Adviser Choice Award

With over £40 billion of FUM, we are one of the UK's largest wealth and investment managers.

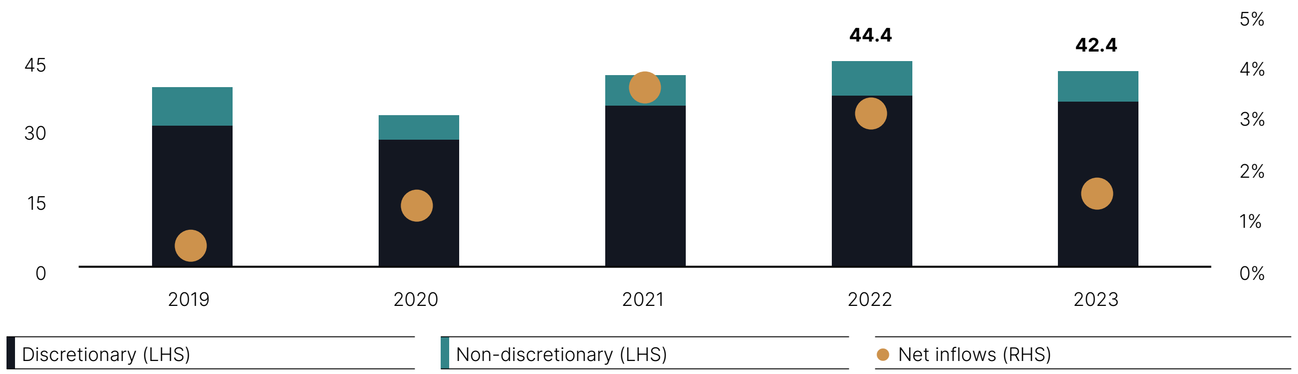
We work with individual clients to allow them to grow, enjoy and protect their wealth, and with charities and clients of professional advisers to help deliver optimal returns on their investments and to bring financial peace of mind.

Performance highlights

- The business generated operating profit of £91.7 million (4.6% above the prior year) and an operating margin for the UK domestic business of 27.2% (2022: 27.0%)
- Operating income increased by 4.2% with higher net interest income from rising global interest rates offset by net fee and commission income decreasing by £11.5 million (3.4%) as a result of lower market levels, and subdued net inflows
- Operating costs increased by 4.1% (3.3% for the UK domestic business) primarily from inflationary pressures and normalisation of certain business expenses as pandemic related restrictions eased
- FUM declined to £42.4bn at 31 March 2023 (2022: £44.4bn) largely reflecting unfavourable market movements.

Funds under management and net flows

£'billion



Reasons for the variance in FUM since 31 March 2022

- Unfavourable market movements (MSCI PIMFA Balanced Index down 5.4%), together with lower investment performance during the year, partially offset by:
  - Net inflows of £608.0 million resulting in net organic growth in funds under management of 1.4% (2022: 2.9%). We have maintained good net new clients inflows similar to the prior year but have seen lower net client flows from existing clients which is expected given the high inflationary and interest rate rise environment
  - The acquisition of Murray Asset Management (MAM) during the year, which added £352 million to FUM at 31 March 2023.

Funds under management

£'million	31 March 2023	31 March 2022	% change
UK Domestic (including Channel Islands)	**40 747**	**42 894**	(5.0%)
Discretionary	35 291	36 728	(3.9%)
Non-discretionary*	5 456	6 166	(11.5%)
Switzerland	**1 675**	**1 525**	9.8%
Discretionary	553	487	13.6%
Non-discretionary*	1 122	1 038	8.1%
Total	**42 422**	**44 419**	**(4.5%)**

* Non-discretionary includes advisory-managed FUM of £1 185 million (31 March 2022: £1 627 million). Managed funds therefore represent 90% of the UK domestic total FUM at 31 March 2023 (31 March 2022: 89%).

WEALTH & INVESTMENT CONTINUED

Net inflows over the period

£'million	31 March 2023	31 March 2022
Discretionary	521	808
Non-discretionary	87	410
Total	**608**	**1 218**

Income statement analysis and key income drivers

£'000	31 March 2023	31 March 2022	Variance	% change
Net interest income	28 150	2 268	25 882	>100%
Net fee and commission income	332 501	344 029	(11 528)	(3.4%)
Investment income	7	(2)	9	>100%
Trading income arising from				
– customer flow	1 252	1 194	58	4.9%
– balance sheet management and other trading activities	10	(307)	317	>100%
Total operating income before expected credit loss impairment charges	**361 920**	**347 182**	**14 738**	**4.2%**
Of which: UK domestic	347 672	338 322	9 350	2.8%
Of which: Switzerland*	14 248	8 860	5 388	60.8%
Expected credit loss impairment charges	2	(5)	7	>100%
Operating income	**361 922**	**347 177**	**14 745**	**4.2%**
Operating costs	(270 195)	(259 496)	(10 699)	4.1%
Of which: UK domestic	(255 913)	(247 729)	(8 184)	3.3%
Of which: Switzerland*	(14 282)	(11 767)	(2 515)	21.4%
Adjusted operating profit	**91 727**	**87 681**	**4 046**	**4.6%**
Of which: UK domestic	91 760	90 593	1 167	1.3%
Of which: Switzerland*	(33)	(2 912)	2 879	98.9%
Key income drivers				
Operating margin	25.3%	25.3%		
Of which: UK domestic#	27.2%	27.0%		
Net inflows in FUM as a % of opening FUM	1.4%	2.9%		
Average income yield earned on FUM^	0.83%	0.81%		
Of which: UK domestic	0.83%	0.81%		

* The results of the Switzerland business have been reported separately to demonstrate the value of the UK domestic business.

The calculation of the operating margin for the UK domestic business excludes net interest income of £2 670 000 (2022: net interest expense of £755 000) relating to net interest income earned on the firm's cash deposits and the IFRS 16 Leases interest expense on right-of-use assets. This presentation is consistent with wealth managers that are not part of a banking group and are therefore not required to report in accordance with the presentation and disclosure standards for banks. Excluding this adjustment, the operating margin for the UK domestic business would be 26.4% (2022: 26.8%).

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

Strategy execution

Highlights: Sustainability

- Continued industry engagement and participation, including attendance at the Annual Principles for Responsible Investment (PRI) Conference
- Our Climate Change in the Arctic event, with a keynote speech from HSH Prince Albert II of Monaco, directly engaged clients in conversation around sustainability and impact
- We published our most comprehensive disclosure of Stewardship activity to date, including a summary of our engagement and policy work
- We continued our focus on developing sustainability expertise throughout the year, with 60 colleagues (including executive committee and board members) completing Sustainable Finance courses with the University of Cambridge Institute for Sustainability Leadership (CISL), and 10 colleagues achieving the CFA Certificate in ESG Investing.

Highlights: Belonging, Inclusion and Diversity (BID)

- We became members of the Business Disability Forum – the leading business membership organisation in disability inclusion
- For the fifth consecutive year we are participating in the 30% Club mentoring scheme, a cross company, cross industry programme for women
- We continue to actively engage with colleagues and clients on topics including neurodiversity, International Women's Day and racial inequality
- We continue to publish both our gender and ethnicity pay gap data. As at 5 April 2022 our mean gender pay gap stood at 43.4% and our mean ethnicity pay gap stood at 23.9%. We remain committed to reducing our gender and ethnicity pay gaps, and we are working hard to increase senior female and Black, Asian and Minority Ethnic representation throughout the organisation
- We exceeded our Women In Finance target, with over 30% representation of women on the Wealth Leadership Forum.

WEALTH & INVESTMENT
CONTINUED

Strategic execution

- Referrals between Specialist Banking and W&I (UK and IBSAG) resulted in £477 million FUM (FY2022: £473 million) and £60 million (FY2022: £105 million) of new lending, reflecting our continued strategy to provide integrated solutions to clients through access to Group-wide products and services
- During the second half of the year we developed a more targeted approach to offering our Managed Portfolio Service (MPS) to Independent Financial Advisers (IFAs). We are seeing encouraging early results from this activity, with net inflows of £92mn into our MPS since 1 January 2023. Whilst the FUM associated with MPS is lower yielding than our core Discretionary Fund Management (DFM) service, the nature of the MPS means it is highly scalable and creates opportunities to build relationships with IFAs who may also require our higher yielding bespoke DFM service for their clients
- Following the formation of our new Investment & Research Office in FY2022, we continue to improve the consistency and quality of our investment offering, including updating our Strategic Asset Allocation to broaden our exposure to global market opportunities and differentiated asset classes
- We successfully completed the acquisition of Edinburgh-based wealth management firm – Murray Asset Management (MAM). The acquisition strengthens our presence in the strategically important Scottish market
- We entered into a definitive agreement regarding an all-share combination of Investec Wealth & Investment Limited and Rathbones – Please see further details below.

Growth opportunities and outlook

- Iain Hooley has been appointed as the IW&I Chief Executive Officer (subject to regulatory approval) effective 16 February 2023. Barbara-Ann King stepped down from the Board of Investec Wealth & Investment Limited and from her role as Chief Executive Officer and will be on garden leave until her departure from the Group on 13 August 2023
- The long-term outlook for the UK wealth management industry remains positive and attractive, despite current macro-economic headwinds
- Our commitment to continued investment in technology to improve efficiency remains key and will be realised through the Rathbones combination given Rathbones is already using the platform we have selected as our platform of choice to scale the business.

Growth opportunities and outlook: Rathbones and Investec Wealth & Investment UK all-share combination

The Boards of Investec plc and Rathbones Group plc have entered into a definitive agreement regarding an all-share combination of Investec Wealth & Investment Limited and Rathbones. This will create the UK's leading discretionary wealth manager (the 'Enlarged Rathbones Group'), with ~£100 billion of funds under management and administration, delivering scale that will underpin future growth. The combination establishes a long-term strategic partnership between the Enlarged Rathbones Group and Investec, which will enhance the client proposition across banking and wealth management services for both Groups.

This is core to Investec's growth strategy, which is underpinned by our commitment to bring the best of Investec to every client interaction, and drives synergies between our business units and geographies.

On completion, Investec will own 41.25% of the economic interest in the Enlarged Rathbones Group's share capital, with Investec's voting rights limited to 29.9%. This reaffirms our commitment to the attractive UK wealth management sector

The Enlarged Rathbones Group will remain an independent listed business operating under the Rathbones brand, with Investec as a long-term, strategic shareholder. It is intended that the Enlarged Rathbones Group's London office will be at 30 Gresham Street, which will further support the strategic partnership between our two organisations.

The commercial and strategic benefits of the proposed combination include the following:

- The combination of talent and offerings between Investec and Rathbones will create real client value and a real powerhouse in the industry. Rathbones and IW&I UK have complementary business models providing bespoke investment management and financial planning services to private clients, intermediaries and charities
- Geographic coverage: The Enlarged Rathbones Group will have an expanded network of offices across 23 towns and cities in the UK and Channel Islands, making it attractive to the brightest and best talent in the industry. This will give us presence in strategically important locations like Newcastle and Cambridge and reinforces our presence in the North of England
- Systems & Technology: The Enlarged Rathbones Group will also benefit from cooperation on select services with Investec. The combination allows the Enlarged Rathbones Group to leverage Rathbones' investment in technology and operating model to deliver best-in-class client experience whilst improving operating efficiency across the larger combined business
- The combination is expected to deliver significant value creation through the strong fit between the two operating models with target annual run rate cash synergies of at least £60 million driven by cost savings and higher net interest income.

The combination is subject to regulatory and other approvals. Rathbones shareholder approval was obtained on 23 June 2023. Completion is expected to occur either late Q3 or early Q4 2023.

The Investec W&I UK transaction perimeter includes Investec Group's Wealth & Investment businesses in the UK and Channel Islands but excludes Investec Bank (Switzerland) AG ('IBSAG') and Investec Wealth & Investment International (Pty) Ltd ('Investec W&I SA'). Both IBSAG and Investec W&I SA will remain wholly-owned subsidiaries of the Investec Group.

SPECIALIST BANKING OVERVIEW

Business head

Ruth Leas

Awards

Won 'Bank of the Year' at the 2023 City A.M. Awards

Won 'Lender of the Year' at the 2023 Real Deal Private Equity Awards

Dominated the top rankings of the 2022 Institutional Investor's UK SMID Survey of Institutional investment professionals

Highlights

Adjusted operating profit
£317.0mn
(2022: £200.0mn)

Net core loans
£15.6bn
(2022: £14.4bn)

Cost to income
59.5%
(2022: 69.0%)

Credit loss ratio
0.37%
(2022: 0.17%)

Overview of performance in the period under review

- Strong performance, with adjusted operating profit up 58.5% against the prior year driven by strong revenue growth across our lending franchises and increased trading income given heightened market volatility during the year
- Net core loans grew by 7.9% since 31 March 2022. This was driven by growth in residential mortgages, continued client acquisition and strong demand for corporate credit across multiple portfolios. There was a marked slow-down in loan growth during the second half of the year given heightened uncertainty in the UK and rising global interest rates at the beginning of 2H2023, however, the impact on lending activity has begun to abate
- Operating income was supported by book growth, continued client activity, and rising interest rates
- Operating costs increased by 12.4% year on year, driven by an increase in variable remuneration in line with improved business performance, inflationary pressures and investment in people and technology. Fixed operating costs grew 8.4% and below the UK inflation rate. Fixed operating costs have been well managed over the past four years, growing at a c.1% CAGR. Cost to income ratio improved to 59.5% (2022: 69.0%)
- Pre-provision adjusted operating profit was up 70.3% to £383.8 million (2022: £225.4 million)
- ECL impairment charges totalled £66.7 million, resulting in a credit loss ratio of 0.37% (2022: 0.17%). The increase in ECL charges was driven by an increase in modelled ECLs due to forward-looking macro-economic assumptions and Stage 3 ECL charges on certain exposures. Post-model management overlay of £11.9 million raised since the onset of the COVID-19 pandemic was released and is now reflected in-model. A remaining post-model management overlay of £4.9 million at 31 March 2023 is considered appropriate to capture risks assessed to be inadequately reflected in the model
- These results are underpinned by positive momentum in our client franchises and strategic cross-collaboration within the One Investec client ecosystem. See more on this enhanced collaboration in the pages that follow.

Income statement

£'000	31 March 2023	31 March 2022	Variance	% change
Net interest income	720 875	494 040	226 835	45.9%
Net fee and commission income	108 342	150 204	(41 862)	(27.9%)
Investment income	4 996	10 581	(5 585)	(52.8%)
Share of post-taxation profit of associates and joint venture holdings	660	1 988	(1 328)	(66.8%)
Trading income/(loss) arising from				
– customer flow	86 114	59 178	26 936	45.5%
– balance sheet management and other trading activities	13 050	(998)	14 048	>100%
Other operating income	12 620	11 158	1 462	13.1 %
Total operating income before expected credit loss impairment charges	**946 657**	**726 150**	**220 507**	**30.4%**
Expected credit loss impairment charges	(66 743)	(25 358)	(41 385)	>100%
Operating income	**879 915**	**700 792**	**179 123**	**25.6%**
Operating costs	(562 866)	(500 790)	(62 076)	12.4%
Adjusted operating profit	**317 049**	**200 002**	**117 047**	**58.5%**

SPECIALIST BANKING OVERVIEW
CONTINUED

Enhanced collaboration through integration

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

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

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

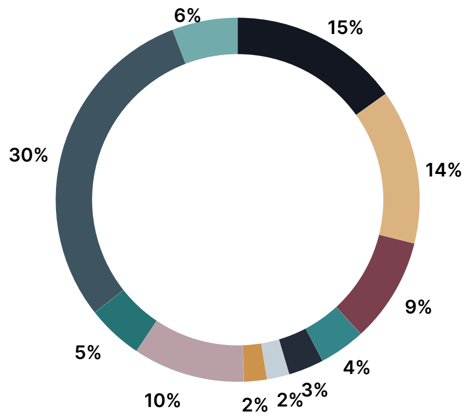
In the UK corporate mid-market our breadth of capabilities differentiates us from competitors. In the Private Client market our high levels of service attract HNW individuals underserved by traditional retail and private banks.

In FY2023

Our focus on connectivity and collaboration continues to deliver strong results.

- Continued momentum of intra-bank referrals, generating new business predominantly through lending, advisory, and client hedging solutions
- Enhanced connectivity where Bank referred and created £477 million of incremental FUM for the UK and Swiss Wealth & Investment businesses (FY22: £473 million)
- Unlocking significant client value: providing our clients with a holistic solution remains a priority as we target to increase the average number of products per core client.

Diversified loan book by risk category: Core loans £15.6 billion



Corporate and other lending	**49%**
Asset finance	15%
Corporate and acquisition finance	14%
Fund finance	9%
Power and infrastructure finance	4%
Other corporate and financial institutions and governments	3%
Asset-based lending	2%
Aviation finance	2%
Lending collateralised by property	**15%**
Commercial real estate	10%
Residential real estate	5%
High net worth and other private client lending	**36%**
Mortgages	30%
Other high net worth lending	6%

Highlights: Sustainability

- We remain active participants in the Net-Zero Banking Alliance to align our lending and investment portfolios with net-zero emissions by 2050
- We have strengthened our fossil fuel policy and set a target to have zero coal exposure in our loan book by 31 March 2027. In addition, we have committed to not provide financing to new oil and gas exploration, extraction and production projects from 1 January 2035
- We have signed up to the Partnership for Biodiversity Accounting Financials (PBAF) to help us assess and disclose the impact of dependencies on biodiversity of our loans and investment
- We have included high-level information according to the Task Force on Nature-related Financial Disclosures (TNFD) in our Task Force on Climate-related Financial Disclosures (TCFD) report
- We are proud to have been selected as one of the top 100 most sustainable companies in the world by Corporate Knights and one of Europe's 2023 climate leaders by the Financial Times.

Highlights: Belonging, Inclusion and Diversity (BID)

- We have a female CEO, CFO and COO, and currently have 50% females and 30% minority ethnic representation on the Investec Bank plc Board. Our senior leadership has 37% female representation and 37% minority ethnic representation. Of total hires in the period 40% were female and 38% were minority ethnic
- We continue to publish both our gender and ethnicity pay gap data. As of 5 April 2022 our mean gender pay gap was 25.6% and our mean ethnicity pay gap was 15.1%
- We are actively engaged with colleagues and clients and held several events on topics including neurodiversity, International Women's Day and racial inequality
- We became members of the Business Disability Forum – business membership organisation in disability inclusion
- Our recently launched Peppy Health app, supporting with fertility, pregnancy and menopause has been extended to include support for Men's and Women's health
- We continue to offer programmes to develop our organisational capabilities in relation to BID including; 30% Club cross company mentoring programme for women, Reciprocal mentoring, Allies programme, and Zebra Crossing, our flagship two-day diversity and inclusion programme aimed at minimising unconscious bias and raising awareness of multicultural differences at personal, interpersonal and institutional levels.

PRIVATE BANKING

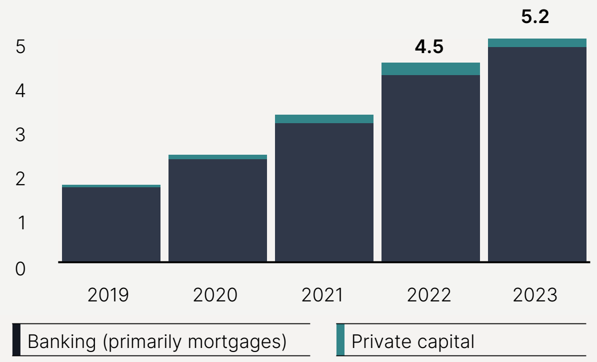
Our Private Banking activities focus on providing bespoke solutions underpinned by in-depth knowledge and understanding of our clients' personal and business aspirations and goals, supported by a broad private banking offering. We understand that every client is an individual, and that they are typically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

Performance in the period under review

- Adjusted operating profit of £70.2 million (2022: £30.8 million) reflects ongoing strategic execution in growing the business to scale by leveraging existing infrastructure
- Net interest income increased 82.4% compared to the prior year, driven by a higher average loan book growth of 26.7% since 31 March 2022 and rising interest rates. The mortgage growth of 15.9% annualised in 1H2023 was followed by muted growth in 2H2023 given the sharp interest rates increases post the UK political instability around the mini budget at the end of September 2022.

Loans and advances to customers

£'billion

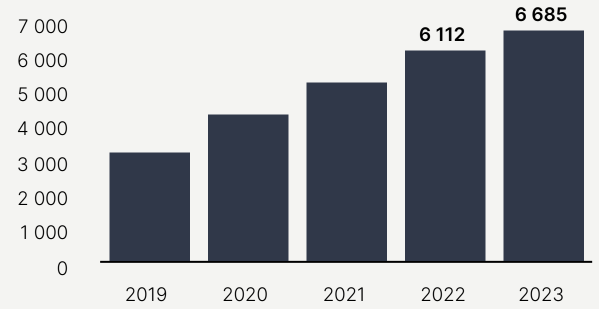


Loan book growth:

- Loan book growth continued for both HNW banking and Private Capital, up 14.1% and 38.5%, respectively, since 31 March 2022 – driven by focused execution of strategy and continued client acquisition
- In contrast to 2021, when demand for residential mortgages accelerated ahead of the deadline for the COVID-19 related Stamp Duty relief, we experienced lower mortgage activity levels in 2H2023 given the rising and volatile interest rate environment in the UK
- The book growth was achieved with no changes to credit underwriting standards notwithstanding the increasingly competitive market.

Note: In addition to the loan book shown above, our Channel Islands business had c.£520mn (2022: £500mn) of mortgages as at 31 March 2023.

UK HNW client acquisition



Continued success in client acquisition:

- We acquired 960 new clients over the period – a number of which were introduced via referrals by existing Investec clients
- Aligned to our One Investec approach, this offering serves as a valuable client acquisition tool for the wider UK Bank and Wealth & Investment businesses: our clients have an average income of £700 000+ and average NAV of £11 million (well above our quantitative criteria)
- HNW mortgage lending is focused on target clients in established areas (London and the South East) with recourse to the individual and high level of cash equity contributions into transactions.

Note: In addition to these client figures, our Channel Islands business has 1 062 HNW clients (2022: 870). This brings our total number of HNW clients to 7 747 (2022: 6 982).

Strategy execution

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

PRIVATE BANKING
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2023	31 March 2022	Variance	% change
Net interest income	128 945	70 692	58 253	82.4%
Net fee and commission income	1 946	1 556	390	25.1%
Investment income/(loss)	141	816	(675)	(82.7%)
Trading income arising from				
– customer flow	4 449	2 228	2 221	99.7%
– balance sheet management and other trading activities	13	2	11	>100%
Total operating income before expected credit loss impairment charges	135 494	**75 294**	**60 200**	**80.0%**
Expected credit loss impairment charges	(6 344)	(2 432)	(3 912)	>100%
Operating income	129 150	**72 862**	**56 288**	**77.3%**
Operating costs	(58 996)	(42 034)	(16 962)	40.4%
Adjusted operating profit	**70 154**	**30 828**	**39 326**	**>100.0%**
Key income drivers				
Cost to income ratio	43.5%	55.8%		
Growth in loans and advances to customers	15.4%	35.1%		

Other factors driving the performance in the period under review included

- Adjusted operating profit of £70.2 million (2022: £30.8 million) reflects ongoing strategic execution in growing the business to scale by leveraging existing infrastructure and continued client acquisition
- Growth in net interest income was driven by a higher average loan book and the positive effect of rising interest rates
- ECL impairment charges for the period increased to £6.3 million (2022: £2.4 million) largely driven by Stage 3 ECL charges on certain exposures as well as overall book growth and seasoning of the loan book. The credit loss ratio on the private client mortgage book remains low at c.4bps, indicative of the strong credit performance of the book. Refer to page 107 for further information on the Group's asset quality
- Operating costs increased by £17.0 million or 40.4%, reflecting increased variable remuneration in line with business performance, post-pandemic normalisation of discretionary expenditure and inflationary pressures.

Growth opportunities and outlook

- Notwithstanding the uncertain macro-economic backdrop that prevailed during the year, and with growth in the mortgage book being higher in 1H2023 vs 2H2023, we have continued to grow our lending book, increase our client base, and capitalise on the existing market opportunity. We continue to see demand for our efficient, refreshingly human private client offering. Our increased profitability is testament to the clear market opportunity and the strength of our proposition to capture it
- Our One Investec approach ensures that we provide an integrated banking and wealth management offering to our clients. Private Banking client base continues to generate wealth opportunities and FUM for our Wealth & Investment businesses. However, over 80% of our HNW banking clients do not currently have a relationship with our Wealth & Investment businesses, with significant levels of investible wealth currently sitting with other financial institutions, thus we remain focused on capitalising on this this opportunity. We continue to enhance collaboration to provide a holistic proposition for our HNW clients' growth journeys
- The proposed all-share combination of with Rathbones will enhance the client proposition across banking and wealth management services for both Investec Group and the Enlarged Rathbones Group
- Having established a strong presence in the market over the last five years, our Private Capital business is in growth mode, focused on increasing lending at pace through deepening existing relationships and further client acquisition
- We are focused on maintaining business momentum and generating a stable annuity income stream for the Group, while investing with discipline in the required technology to support our growth to scale.

CORPORATE, INVESTMENT BANKING AND OTHER

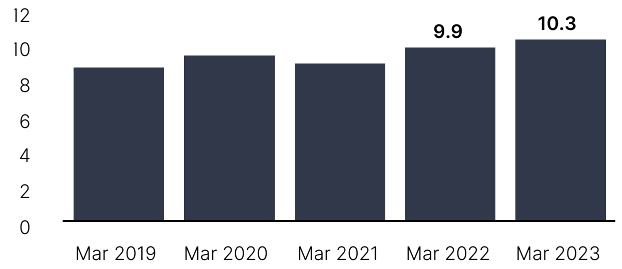
This segment comprises business activities that provide lending, advisory and risk management services to growth-orientated corporate clients in the private companies, private equity and listed companies arenas, including specialist sector-focused expertise. This segment also includes our central treasury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

Performance in the period under review

- The results reflect a solid performance, with an adjusted operating profit of £246.9 million or 45.9% ahead of £169.2 million reported in 2022. The continued improvement in performance is in part attributable to the strategic changes we have implemented over the past 24 months
- Net interest income increased by £168.6 million (39.8%) to £591.9 million, driven by higher average loan book and rising interest rates
- Impairment charges increased to £60.4 million (2022: £22.9 million) driven by an increase in modelled ECLs due to forward-looking macro-economic assumptions and the Stage 3 ECL charges, offset by a release in the management overlay held.

Loans and advances to customers

£'billion



Loan book growth

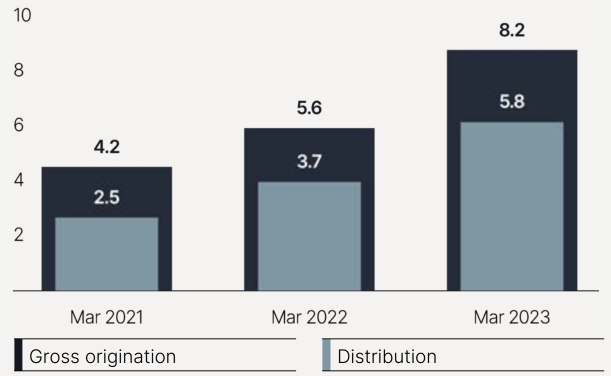
- The loan book grew by 4.6% since 31 March 2022 to £10.3 billion
- Lending activity increased across portfolios, supported by new client acquisition as we continue to build scale and relevance in our client franchises, as well as repeat business with existing clients
- We continue to utilise our origination and distribution capability to manage diversity and concentration of our lending portfolios and generate additional ROE-accretive revenue for the Group.

Spotlight on our Private Equity Fund Solutions offering

- Our Fund Solutions business creates holistic and bespoke solutions for Funds and General Partner (GP) Financing covering each stage of the fund lifecycle
- We partner and grow with a range of institutional investors building strong relationships in the market. This allows us to be relevant to various funds and to provide funds with the support and flexibility to seize opportunities, deliver returns and generate value
- Our Fund Solutions business is helping us achieve our key strategic objective of growing external sources of capital and capital light revenues. Many of our Fund Solutions clients are also clients of other areas of the Bank
- Through the business, we also give investors access to the private funds management industry, where we leverage our market-leading position and experience to simultaneously meet investor and borrower needs
- Structured solutions that provide mutual benefits are the hallmark of our capability. During the financial year, the team partnered with pension and insurance investors to provide more than £7 billion of financial facilities to fund managers, of which over £5.5 billion was provided by our institutional partners
- Looking forward, the Fund Solutions business remains focused on unlocking further growth and putting our clients' funding needs at the centre of everything we do.

Fund Solutions gross origination and distribution

£'billion



Awards won in the past year

Winner	Research analyst rank across eight sectors	Winner	Winner
Best Fund Financing Solution	#1	Best Service from an Asset Based Finance Provider	Best Service from an Invoice Finance Provider
(Private Equity Wire European Awards 2022)	(2022 Institutional Investor's UK Small & Mid-Cap survey)	(Business Moneyfacts Winner 2023)	(Business Moneyfacts Winner 2023)

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2023	31 March 2022	Variance	% change
Net interest income	591 930	423 348	168 582	39.8%
Net fee and commission income	106 396	148 647	(42 251)	(28.4%)
Investment income	4 855	9 765	(4 910)	(50.3%)
Share of post-taxation profit of associates and joint venture holdings	660	1 988	(1 328)	(66.8%)
Trading income/(loss) arising from				
– customer flow	81 665	56 950	24 715	43.4%
– balance sheet management and other trading activities	13 037	(1 000)	14 037	>100%
Other operating income	12 620	11 158	1 462	13.1%
Total operating income before expected credit loss impairment charges	**811 163**	**650 856**	**160 307**	**24.6%**
Expected credit loss impairment charges	(60 398)	(22 926)	(37 472)	>100%
Operating income	**750 765**	**627 930**	**122 835**	**19.6%**
Operating costs	(503 870)	(458 756)	(45 114)	9.8%
Adjusted operating profit	**246 895**	**169 174**	**77 721**	**45.9%**
Key income drivers				
Cost to income ratio	63.2%	70.5%		
Growth in loans and advances to customers	4.6%	10.4%		

* Prior year ROE and growth in risk weighted assets have been restated due to a reallocation of risk weighted assets

Other factors driving the performance in the period under review included

- The £168.6 million increase in net interest income was primarily driven by higher average loan books across a number of portfolios, and the impact of rising interest rates
- Net fee and commission income decreased by £42.3 million to £106.4 million. Higher advisory fees from Growth and Leveraged Finance and Fund Solutions was off-set by lower fees from equity capital markets
- Investment income of £4.9 million was driven by realised gains on disposal of investments and dividend income and unrealised losses on investments
- Trading income from customer flow increased 43.4% over the prior period reflecting strong client activity levels in our interest rate and currency desks given market volatility. This was off-set by subdued activity in the listed companies client group
- Trading income from balance sheet management and other trading activities increased to £13.0 million from (£1.0 million) in the prior year reflecting the positive positioning in balance sheet management activities
- Other operating income of £12.6 million (2022: £11.2 million) primarily reflects the fair value movements of the Ninety One shares held in the Group's staff share scheme as a result of the demerger and separate listing of Ninety One
- Expected credit loss impairment charges increased to £60.4 million, primarily due to a deterioration of forward-looking macro-economic assumptions and updated scenario weightings. Post-model management overlay of £11.9 million raised since the onset of the COVID-19 pandemic was released and is now reflected in-model. A management overlay of £4.9 million was retained to account for risks judged as not reflected in-model. Refer to page 236 for information on the Group's asset quality and page 250 for further information on the macro-economic scenarios applied
- Operating costs increased by 9.8% to £503.9 million, driven by an increase in variable remuneration in line with business performance, post pandemic normalisation of discretionary expenditure, and investment into people and technology.

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Strategy execution

- The business is delivering on its growth phase in the journey to enhance shareholder returns. Our success to date in building scale and relevance in the mid-market is reflected in broad-based loan book growth and continued client acquisition
- Our One Investec approach – underpinned by connected client ecosystems – has continued to facilitate increased collaboration, supporting our ability to provide clients with a holistic solution and generate additional opportunities
- The strength of our client franchises has been independently recognised through the numerous awards we have won
- We continue to generate diversified, capital light earnings by utilising external capital to facilitate our highly successful origination and distribution capability. In addition to accelerated growth in our existing fundraising capabilities for Fund Solutions and Power and Infrastructure Finance, similar strategies for Growth and Leverage Finance and Real Estate lending have positioned us well to further diversify this income stream
- We continue to proactively pursue growth in our Mergers and Acquisitions (M&A) Advisory business both locally within the UK and internationally, by leveraging our own international networks and partnerships. In June 2023, we acquired a majority interest in Capitalmind, increasing our shareholding from 30% to approximately 60% and becoming a leading provider of M&A advice in Europe. This is transformative for Investec's capital light strategy in Europe, bringing Capitalmind's M&A business into the Investec umbrella, and providing Investec with a majority owned footprint across several major economies in Western Europe. Our European M&A Advisory offering is also highly complementary to our European lending activities, in particular Fund Solutions and Growth & Leveraged Finance, as these are all focused on the private equity community. The acquisition enhances the opportunity to leverage a broader array of products into Capitalmind's clients in Continental Europe and, by having an integrated M&A Advisory presence in Europe, we are able to demonstrate relevance to clients located in other geographies (in particular South Africa and India)
- We remain focused on digitalisation and innovation to deliver scale, efficiency and longer-term growth through investing in technology and strategic alliances. Our selection of Microsoft as our key cloud provider has offered a multitude of benefits. The vast portfolio of services has enabled us to expedite our cloud strategy, including the exploration of cutting edge technologies like generative AI and quantum computing. We have coupled this with investment in our people to upskill and engage with hypothesis led experimentation to identify where our technology offerings are our differentiator. Our Out of the Ordinary people and deep relationships is Investec's key differentiator
- Investec India strategy is consistent with Group strategy to increase contribution from capital light revenues. The India equities business writes research on 250 listed Indian companies, the M&A business has significant market presence in our target sectors,the private credit business has arranged in excess of $5bn of debt for Indian counterparts and has successfully closed its first private credit third party capital fund for $135 million.

Growth opportunities and outlook

- We are cautiously optimistic looking ahead as the UK economic position and growth evolves following increased inflation, higher cost of living and energy prices. We are well-capitalised, lowly leveraged, and continue to maintain strong liquidity buffers and ratios. We are well placed to manage further volatility should it arise and to take advantage of opportunities as they present themselves
- Our One Investec client ecosystem approach remains one of our key strategic differentiators and will continue to drive success in leveraging the whole of Investec's capability to provide solutions for clients. The announced combination of our UK W&I business and Rathbones is expected to drive further collaboration opportunity between the UK Bank and the enlarged Rathbones Group. The cooperation agreement will govern the long-term, strategic partnership and is expected to unlock significant value in the medium to long term
- Aligned to our organisational purpose of 'living in, not off, society', our Belonging, Inclusion and Diversity (BID) focus is on inclusive leadership and creating an environment where a sense of belonging permeates
- With respect to sustainability, we are focused on embedding an ESG mindset that is fully integrated in our support for clients. We will continue to grow our sustainability offering to support our clients with renewable energy financing and innovative debt structuring
- We continue to enhance our offering to UK private companies to allow us to continue growing our client base and market share, and provide greater depth of support to clients. This has included further automation and digitalisation of our asset finance and FX propositions which will support growth going forward. This is in addition to the good progress we are seeing from the One Investec approach to delivering multiple solutions to more clients
- In our Private Equity Client Group, we continue to see positive growth prospects and strong position in the mid-market. We anticipate our clients will look to be opportunistic in a period of economic pressure and valuation weakness
- We expect our M&A Advisory business to benefit from maturing and new sector teams, the growing Private Equity Coverage and Origination function and our international partnerships in Continental Europe (with Capitalmind) and the USA (with BlackArch), which continue to facilitate an expansion of our cross-border M&A advisory services
- Against a difficult market backdrop and historically low levels of equity capital markets activity persisting market-wide, public M&A continues to be a key contributor to performance for our Listed Client Group and we remain committed to investing to deepen and broaden our offering and capabilities. We anticipate growth companies to return to equity as an attractive source of funding and the strength of our top-ranked platform will allow us to capitalise on the opportunity when equity capital markets recover
- We intend to raise additional external capital through funds and syndications to support a wider client offering and we are excited about our effort to generate further capital light revenue for the Group
- Within the Indian market, we see an opportunity to increase our market share, underpinned by the strength of our partnership with the State Bank of India.

Risk management and governance

03

03 Risk management and governance
Investec Bank plc Annual Financial Statements 2023

IN THIS SECTION

RISK MANAGEMENT APPROACH AND FRAMEWORK

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

Philosophy and approach to risk management

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

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

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

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

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

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

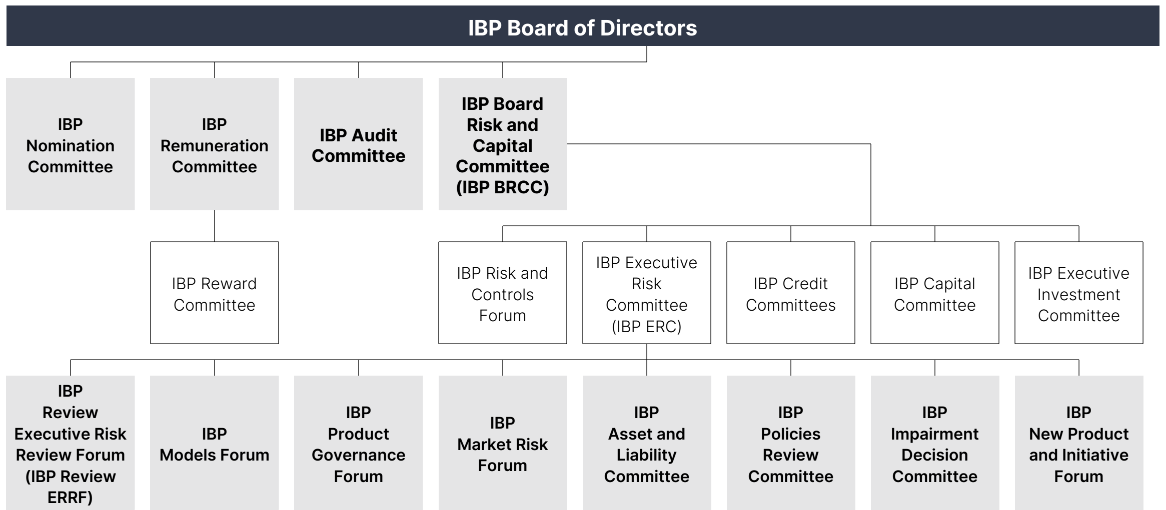
We believe that the risk management systems and processes we have in place are adequate to support the Bank's strategy and allow the Bank to operate within its risk appetite tolerance.

Risk management objectives are to:

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

Risk management framework, committees and forums

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



YEAR IN REVIEW FROM A RISK PERSPECTIVE

A summary of the year in review from a risk perspective

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

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

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

Loans and advances to customers as a percentage of customer deposits remained conservative at 80.9%. The Bank has a substantial portion of eligible deposits that are covered by Financial Services Compensation Scheme (FSCS) protection. We are confident that we are well funded should further disruption occur in funding markets given our diversified deposit base and bias towards term rather than overnight funding. We have limited reliance on wholesale markets and took advantage of opportunities to lengthen the duration of this funding at favourable terms. As a result we have no requirement to issue in the wholesale markets in the financial year to end March 2024.

Cash and near cash balances at 31 March 2023 amounted to £8.6 billion. We maintain a high level of readily available, high-quality liquid assets (HQLA) – targeting a minimum cash to customer deposit ratio of 25%. Current cash and near cash is equivalent to 44.4% of customer deposits. HQLA is primarily cash at central bank (BoE), and short-dated government bonds. Given the short-dated nature, the majority of the HQLA securities portfolio is held at FVOCI. At 31 March 2023, on an IBP solo basis, the Liquidity Coverage ratio (LCR) was 432% and Net Stable Funding ratio (NSFR) was 138%, both metrics well ahead of current minimum regulatory requirements.

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

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

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

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

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

The Bank's net core loan exposures remain well diversified with commercial rent producing property loans comprising approximately 7.8% of net core loans, other lending collateralised by property 7.2%, high net worth and other private client lending 36.0% and corporate and other lending 49.0% (with most industry concentrations well below 5%).

We remain confident that we have a well-diversified portfolio across sectors.

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

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

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

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

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

YEAR IN REVIEW FROM A RISK PERSPECTIVE
CONTINUED

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

Further detail on key judgements can be found on page 249.

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

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

We continue to manage our investment portfolio exposure in line with our objective of optimising capital allocation, reducing income volatility and aligning the business with our client franchises. The investment portfolio on the balance sheet reduced by 6.5% over the year under review to £312 million at 31 March 2023.

The Bank continued to maintain a sound balance sheet with a low gearing ratio of 10.1 times and a core loans to equity ratio of 5.6 times at 31 March 2023. The Bank's leverage ratio was 9.8% ahead of the minimum 6% target level.

We maintain a target CET1 ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The Bank is on the standardised approach for capital. The CET1 ratio was 12.7% at 31 March 2023 well in excess of regulatory minimums and ahead of our capital target.

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

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

The importance of operational resilience to ensure minimal client disruption is paramount. Across our banking and Wealth & Investment businesses we take a highly disciplined approach to recovery and resolution planning and remain focused on managing conduct, reputational and operational risks.

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

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

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

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

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

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

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

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

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

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

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

These 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 Bank. Reverse stress tests are conducted to stress the Bank's business plan to failure and consider a broad variety of extreme and remote events. These processes allow the Bank to proactively identify underlying risks and manage them accordingly.

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

The levels of defence model is applied as follows:

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

Risk appetite

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

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

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

PRINCIPAL RISKS
CONTINUED

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

Credit and counterparty risk

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

Link to strategy and opportunities

Further information

Read more on pages 232 to 248.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

We currently remain within all tolerance levels given the current weakened economic environment. The credit loss ratio was calculated at 0.37% for 31 March 2023 (31 March 2022: 0.17%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.7% (excluding the Legacy portfolio*). Stage 3 net of ECL as a % of CET1 is 12.2%.

* Refer to definitions on page 277.

PRINCIPAL RISKS
CONTINUED

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

Concentration risk

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

Link to strategy and opportunities

More information

Read more on page 232.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

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

Positioning as of 31 March 2023

We maintained this risk tolerance level throughout the year.

Country risk

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

Link to strategy and opportunities

Further information

Read more on page 233.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

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

PRINCIPAL RISKS
CONTINUED

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

Climate, nature and biodiversity risk

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

Link to strategy and opportunities

More information

Read more on pages 233, 252 and 253 and page 107 to 122 of the Investec Group's 2023 integrated and strategic annual report, and the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning as of 31 March 2023

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

Environmental, social and governance (ESG) risk

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

Link to strategy and opportunities

More information

Read more on pages 233, 252 and 253, and page 107 to 122 of the Investec Group's 2023 integrated and strategic annual report, and the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning as of 31 March 2023

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

PRINCIPAL RISKS
CONTINUED

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

Investment risk

Investment risk arises where the Bank invests in largely unlisted companies and select property investments, with risk taken directly on the Bank's balance sheet

Link to strategy and opportunities

Further information

Read more on page 254.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

Our unlisted investment portfolio amounted to £310 million, representing 14.1% of CET1.

Market risk in the trading book

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

Link to strategy and opportunities

Further information

Read more on pages 256 to 259.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

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

PRINCIPAL RISKS
CONTINUED

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

Liquidity risk

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

Link to strategy and opportunities

Further information

Read more on pages 260 to 266.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

Total cash and near cash balances amounted to £8.6 billion at year end representing 44.4% of customer deposits.

PRINCIPAL RISKS
CONTINUED

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

Interest rate risk in the banking book (IRRBB)

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

Link to strategy and opportunities

Further information

Read more on pages 264 to 265.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

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

PRINCIPAL RISKS CONTINUED

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

Capital risk

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

Link to strategy and opportunities

Further information

Read more on pages 270 to 273.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

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

Positioning at 31 March 2023

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

The leverage ratio is 9.8%.

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

Reputational risk

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

Link to strategy and opportunities

Further information

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

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

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

PRINCIPAL RISKS CONTINUED

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

Business and strategic risk

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

Link to strategy and opportunities

Further information

Read more on pages 4 to 14 and pages 21 to 37.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

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

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

Positioning at 31 March 2023

Capital light activities contributed 34.7% to total operating income and balance sheet driven activities contributed 65.3%.

Annuity income amounted to 80.9% of total operating income.

The cost to income ratio for IBP amounted to 63.7%.

PRINCIPAL RISKS
CONTINUED

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

Operational risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268 and pages 79 to 81 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning at 31 March 2023

Operational risk losses continue to be monitored against the tolerance levels with appropriate escalation where required

Operational risk – Business disruption and operational resilience risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Monitoring and mitigation activities

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

PRINCIPAL RISKS
CONTINUED

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

Operational risk – Conduct risk

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

Link to strategy and opportunities

Further information

Read more on pages 267, 268 and page 79 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

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

Operational risk – Data management risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Monitoring and mitigation activities

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Financial crime risk

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

Link to strategy and opportunities

Further information

Read more on pages 267, 268 and page 80 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

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

Operational risk – Fraud risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Monitoring and mitigation activities

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Information security and cyber risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Monitoring and mitigation activities

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

Operational risk – Legal risk

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

Link to strategy and opportunities

More information

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

Monitoring and mitigation activities

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Model risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

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

Operational risk – People risk

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

Link to strategy and opportunities

Further information

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

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Processing and execution risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

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

Operational risk – Regulatory compliance risk

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

Link to strategy and opportunities

Further information

Read more on pages 267, 268 and page 79 of the Investec Group's 2023 risk and governance report.

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Tax risk

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

Link to strategy and opportunities

Further information

Read more on pages 267, 268 and page 81 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

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

Operational risk – Technology risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Risk management and key mitigating actions

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

PRINCIPAL RISKS CONTINUED

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

Operational risk – Third party risk

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

Link to strategy and opportunities

Further information

Read more on pages 267 and 268.

Risk management and key mitigating actions

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

Emerging and other risks

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

The Bank recognises the potential challenges faced in ensuring successful delivery of digitalisation strategies and the embedding of change. These challenges relate to the technology investments, resourcing levels, and skills needed to operate a digital business. Concentration risk related to big tech and cloud platforms is increasing. Growing reliance on technology service providers heightens the potential impact of third party disruption, cyber threats and data breaches. Developments in the technology landscape are closely monitored to ensure appropriate response and management of disruptive effects on the Bank. Recent advances in artificial intelligence language models highlight the additional risk created (including to security of data) as a result of exponential growth and speed of take-up in new technologies and the importance of remaining up-to-date with the evolving landscape. The impact of digitalisation initiatives and cloud adoption on the Bank's risk profile is continually tracked, with consideration given to key controls related to cyber risk, technology integration, data privacy and vendor resiliency.

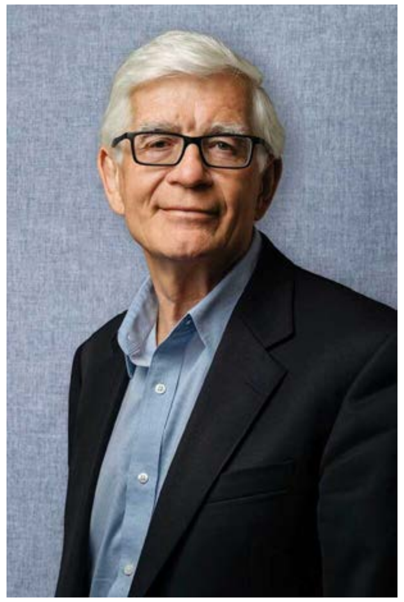
IBP focuses on building a strong, diverse and capable workforce. The risk associated with staff recruitment and retention in an extremely competitive market, with shortage of certain skills, is continuously considered and reviewed. We are constantly considering the future world of work, how we prioritise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

In March 2023, the global banking industry experienced volatility driven by uncertainty around the viability of certain banks, particularly US regional banks, as a result of strategies deployed to manage interest rate risk. The US failures were driven by a mismatch in interest rates and duration of assets and liabilities, both of which are closely monitored against conservative risk appetites at IBP.

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

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations. Emerging and other risks are factored into the Board's viability assessment. Read more on page 86

CHAIR'S INTRODUCTION



"The Bank has the ability to adapt quickly and support clients within a framework of sound governance and effective risk management."

Brian Stevenson
Chair

Over recent years the Board has overseen a period of simplification and optimisation of the Bank's operating model in terms of scale, resilience and technology with a focus on delivering increased growth and efficiency under the 'One Investec' banner.

This journey marked a significant milestone with the announcement of a transaction whereby wealth manager, Rathbones Group plc (Rathbones), will combine the Investec Wealth & Investment UK business with Rathbones in an all-share combination, subject to regulatory approval. This will see the Bank becoming a strategic shareholder in the enlarged Rathbones business.

One Investec remains at the core of the Investec Group strategy and has been the principal driver for this deal, which will provide enhanced opportunities for both our Wealth and Investment and Banking businesses. Rathbones and Investec have entered into an ongoing strategic partnership agreement to include client referrals where appropriate, between the organisations for wealth management and banking services. The strategic partnership will drive greater cooperation between Rathbones and the Bank.

Strategy

The Board has continued to oversee and monitor progress on the Bank's strategy. The financial performance is indicative of the successful implementation and a focus on growth following the simplification efforts, as already mentioned. The strategy of growth is focused on further developing a connected client ecosystem, improving digitalisation and enabling a high-touch, high-tech service and client experience.

The Board keeps its strategy under review, considering the potential opportunities to further accelerate and scale new growth initiatives and to develop One Investec Group initiatives.

Read more on the Bank's strategy on page 6.

Financial performance

The Bank reported strong results against a challenging macro backdrop achieving exceptional performance in a number of our client franchises. Operating profit saw a significant increase and the strong performance was achieved whilst successfully maintaining cost discipline, strong liquidity and conservative capital buffers.

Read more on our financial performance on pages 23 to 39.

Stakeholder engagement

The Board recognises the importance of establishing and maintaining good relationships with all stakeholders. We work hard to understand the particular needs of each and determine the most effective way to engage with them. Read more in our section 172(1) statement on pages 15 to 20.

Succession planning and Board and committee changes

The composition of the Board and its Committees remains under review by the Nomination Committee. There have been changes processed through the IBP Nomination Committee which are considered to strengthen the Board's independent governance while at the same time enhancing reciprocity between the Board and its committees and the corresponding DLC forums.

As reported last year, a new independent Non-Executive Director, Vanessa Olver, was appointed to the DLC Board with effect from May 2022. Following David Friedland's resignation as a DLC director in August 2022 he also stepped down as a member of the Bank BRCC. Vanessa had been identified as the successor to David as Chair of DLC BRCC and accordingly she was duly appointed a member of the Bank BRCC in August 2022.

CHAIR'S INTRODUCTION CONTINUED

The Board also considered the span of control of the Executive Directors and reviewed succession plans for the Executive Directors and senior executive management. Consequently, the Board appointed Marlé van der Walt as an additional Executive Director, following regulatory approval, in September 2022 to act as the Finance Director on the Bank Board. Marlé has substantial experience in banking and the Investec Group having served as a director of Investec Bank Limited in South Africa. This appointment will strengthen the existing CEO and CRO executive team with a particular focus on operations and finance.

Finally, Moni Mannings stepped down in January 2023. Moni held a number of Non-Executive roles in the Bank and the Bank's European subsidiary in Ireland as well as in the Investec Group with her membership on the DLC Social and Ethic's Committee. Following Moni's departure, David Germain was appointed to replace her as the Board's designated Non-Executive for workforce engagement and Henrietta Baldock was appointed as Chair of the IBP Remuneration Committee. The Bank took the opportunity to fill Moni's roles at the Bank's Irish subsidiaries with existing senior management to enhance their skill-set. Moni was invaluable as a member of the Board and, on behalf of the Board, I would like to thank Moni for her contribution over the last seven years as well as her support in her role as the Senior Independent Director of the Bank.

Read more on the Nomination Committee on page 70 to 73.

People and culture

The Board keeps culture under review, with a particular focus on the impact of hybrid working arrangements on culture. The Board recognises that culture is a key differentiator for Investec and one that drives behaviour and enables us to fulfil our purpose and achieve the Bank's strategic objectives.

Investec prioritises belonging, inclusion and diversity and the Board received regular updates on our diversity profile and management's progress in driving diverse recruitment and inclusive programmes of work across the business.

More details of the approach to diversity and workforce engagement can be found on pages 16 and 20 respectively.

Environment, social and governance (ESG) and climate, nature and biodiversity

The Board believes that being a responsible corporate citizen and having regard to the ethical, social, and environmental dimensions in which we operate, generates long-term sustainable stakeholder value. Climate change in itself, societal expectations of how we behave and how businesses are managed in the interests of society has been of increasing interest to stakeholders in the last three years. Similarly, ESG issues and climate change has been on the Board's agenda and we have received regular updates on the business's approach to ESG matters. More details of the business's engagement on ESG can be found in the Group's sustainability report.

Board effectiveness

A key component of governance is ensuring the Board's efficacy in exercising its responsibilities. This year the Board participated in an internally facilitated evaluation process overseen by the Nomination Committee. The findings of this review and how we are addressing our progress against these findings can be found on page 72-73.

Corporate governance code

The Board has applied the UK Corporate Governance Code 2018 (the Code) for the year under review.

Following Moni stepping down, the Board, on the recommendation of the IBP Nomination Committee, agreed to not fill the position of Senior Independent Director. The explanation and further details of how we applied the Code can be found in our statement of compliance on page 66.

Looking ahead

The theme at the end of the previous financial year was one of cautious optimism in the context of a post-pandemic recovery which was picking up momentum. Since then, the geo-political tensions, inflationary pressures and uncertainty as a result of UK political issues has led to a marked change in the business environment. Notwithstanding the macro-economic challenges, the Bank's focused operating model is technologically and operationally resilient and primed to support and manage this volatility together with our clients. The Board will continue to monitor the impact of economic conditions and oversee the strong risk management, liquidity, and governance of the Bank and its subsidiaries as conditions evolve.

There remains no broad-based equivalency framework for UK firms wishing to provide regulated financial services in the European Union. Our business has the operational flexibility to adapt to the appropriate regulatory regime in due course and the Board will continue to assess the Bank's strategy in Europe, including, where feasible, operating through the Bank's European subsidiary in Ireland.

The Bank's financial performance this year validates the journey of simplification and focus we have been on in recent years. Amidst markedly uncertain and volatile macro-economic conditions this performance also testifies to the resilience and flexibility of our people, systems and controls to adapt to fast moving development. Including our ability to support and grow with our clients – within a framework of prudent governance.

Brian Stevenson
Chair
27 June 2023

DIRECTOR BIOGRAPHIES

Who we are

Biographies of our current directors are outlined below, including their relevant skills and experience, key external appointments and any appointments to Board committees.

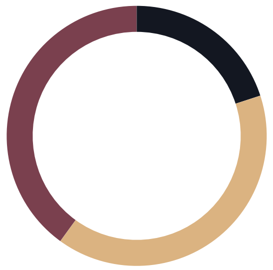
Committee membership key

B	IBP BRRC
N	IBP Nomination Committee
R	IBP Remuneration Committee
A	IBP Audit Committee

Gender diversity

Male	5
Female	5

Age



45-50	20.0 %
51-59	40.0 %
60-69	40.0 %

Brian Stevenson

Chair

B N R

Director of DLC Board and member of DLC BRCC and DLC Nomdac

Age
69

Nationality
British

Qualifications
MBA, ACIB, FCBI

Date of appointment
14 September 2016

Relevant skills and experience
Brian is the Chair of Investec Bank plc. He has substantial strategic, governance and financial services experience, having held a number of senior executive roles, including CEO and Chair of Royal Bank of Scotland's global transaction services division and as Head of Global Banking Division Asia Pacific at Deutsche Bank, as well as various non-executive positions including Agricultural Bank of China and Deutsche Bank Nederland. Brian is an advisory Board member of Lysis Financial and a Board mentor for Critical Eye.

External appointments
Westpac Europe Limited

Henrietta Baldock

Independent Non-Executive Director

R

Director of DLC Board, Chair of DLC Remuneration Committee and member of DLC BRCC and DLC Nomdac

Age
52

Nationality
British

Qualifications
BSc (Hons)

Date of appointment
10 February 2021

Relevant skills and experience
Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as Chair of the European Financial Institutions team at Bank of America Merrill Lynch, where she advised many boards on a number of significant transactions. In 2021, she was appointed Chair of Investec Wealth & Investment (UK). Henrietta's industry experience demonstrates her valuable strategic and transformation advisory skills.

External appointments
Legal and General Group plc and Legal and General Assurance Society Limited

DIRECTOR BIOGRAPHIES
CONTINUED

Zarina Bassa

Independent Non-Executive Director

A

Chair of DLC Audit Committee, member of DLC BRCC, DLC Nomdac, DLC Remuneration Committee and DLC Senior Independent Non-Executive Director

Age
58

Nationality
South African

Qualifications
BAcc, DipAcc, CA (SA)

Date of appointment
1 April 2017

Relevant skills and experienc
Zarina's previous appointments include partner of Ernst & Young, Executive Director of Absa Bank, Chair of the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board. She has also been a member of the Accounting Standards Board, and a Non-Executive Director of the Financial Services Board, the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Mediclinic International, Sun International Limited, Mercedes South Africa, Oceana Group, Vodacom South Africa Proprietary Limited, YeboYethu Limited and Woolworths Holdings Limited. This background affords significant audit and risk experience, and financial, leadership, banking and regulatory reporting skills.

External appointments
JSE Limited

David Germain

Independent Non-Executive Director

B

Age
47

Nationality
British

Qualifications
FBCS, CITP, FIET

Date of appointment
15 September 2020

Relevant skills and experience
David has extensive technology, operations and transformation experience in financial services. He is currently Group Chief Information Officer for QBE Limited. He was previously Group, UK & International Chief Information Officer for RSA Limited where he had oversight of significant and complex IT transformation projects and has previously held a number of other roles including Head of Technology, Operations and Product at the Royal Bank of Scotland Corporate and Private Banking, COO/CAO at Deutsche Bank Capital Markets and COO at Close Brothers Retail.

External appointments
University of Cambridge, Great Ormond Street Hospital Charity

Paul Seward

Independent Non-Executive Director

A B

Age
67

Nationality
British

Qualifications
BSc (Hons) Mathematics

Date of appointment
1 April 2019

Relevant skills and experience
Paul has comprehensive experience of strategy and risk governance in financial services having held a number of senior executive roles including Chief Risk Officer HSBC UK, as well as having held a number of Non-Executive Directorships including M&S Bank, HSBC Asset Finance and HSBC Life (UK) Limited. Paul was also a trustee and Chair of the Audit and Risk Committee of the HSBC plc pension fund.

External appointments
Axis Bank UK Limited

DIRECTOR BIOGRAPHIES
CONTINUED

Lesley Watkins

Independent Non-Executive Director

A B R N

Age
64

Nationality
British

Qualifications
BSc (Hons) Mathematics, FCA

Date of appointment
13 November 2018

Relevant skills and experience
Lesley has expert knowledge of audit and assurance and regulatory reporting having worked at PwC and subsequently as finance director of private equity firm, Calculus Capital Limited. She also has significant experience of governance and strategy in financial services having been a managing director at UBS and Deutsche Bank as well as having been a Non-Executive Director and Audit Chair at the Competition Commission, Panmure Gordon & Co Plc, Game Digital plc and Braemar Shipping Services plc.

External appointments
Chaucer Syndicates Limited, Great Lakes Insurance UK Limited

Fani Titi

Executive Director, Group CE

Director of DLC Board and member of DLC BRCC

Age
60

Nationality
South African

Qualifications
BSc Hons (cum laude), MA, MBA

Date of appointment
3 August 2011

Relevant skills and experience
Fani was a founding member of Kagiso Trust Investments Limited, and later cofounded and led the public offering of Kagiso Media Limited. He was subsequently the founding executive chair of the Tiso Group, which later merged with Kagisgo Trust Investments Limited, to form Kagiso Tiso Holdings. Fani has served on the boards of a number of listed entities, and investment companies. He also joined the Secretary General of the United Nations CE Alliance on Global Investors for Sustainable Development (GISD). Fani brings strong banking and commercial expertise to the Board.

External appointments
IEP Group (Pty) Ltd

Ruth Leas

Executive director, IBP CEO

Age
51

Nationality
British

Qualifications
BA (cum laude), Hons (Economics), MPhil (Cantab)

Date of appointment
27 July 2016

Relevant skills and experience
Ruth has deep knowledge of Investec and banking having joined Investec in South Africa in 1998. She moved to Investec in London in 2002 and was appointed co-head of US Principal Finance in 2004 focusing on credit derivatives and structured credit. Ruth joined the credit team in 2008, and was appointed as Head of UK Investor Relations in 2012. She was appointed as an Executive Director in 2016 and was head of risk management before becoming Chief Risk Officer in 2017. Ruth was appointed as IBP CEO in 2019. Prior to Investec, Ruth was treasury economist for Gencor SA Limited, and took up this role after winning the Gencor-Chairman's scholarship to study at Cambridge University.

External appointments
UK Finance Board and Cambridge Judge Business School Advisory Board

03 Risk management and governance CORPORATE GOVERNANCE Investec Bank plc Annual Financial Statements 2023

DIRECTOR BIOGRAPHIES
CONTINUED

Kevin McKenna

Executive director, IBP CRO

Age
57

Nationality
Irish

Qualifications
BCom, BAcc, CA(SA)

Date of appointment
10 May 2012

Relevant skills and experience
Kevin has substantial strategic, financial, operational and risk experience. He is a qualified accountant and previously worked for ING Baring's South Africa before joining Investec as Finance Director for Investec Securities in 2000. He was appointed as Chief Operating Officer for the Treasury and Specialised Finance/Corporate and Investment Banking division in South Africa before moving with this role to London in 2006. Kevin was appointed as Chief Operating Officer for IBP in 2011. He was appointed as an Executive Director in 2012, and became Chief Risk Officer in 2019.

External appointments
None

Marlé van der Walt

Executive director, IBP Finance Director

Age
47

Nationality
South African

Qualifications
BAcc (cum laude), BAcc Hons (cum laude), CA(SA)

Date of appointment
20 September 2022

Relevant skills and experience
Marlé has substantial banking, finance, risk and audit related knowledge and expertise. She completed her articles at PwC in South Africa in 2000 serving as an audit manager, and subsequently worked for two of South Africa's major retail banks before joining Investec Bank Limited as the Chief Audit Executive in 2010. In 2013 and 2019 respectively Marlé was appointed as financial director for particular divisions within IBL and was appointed as Finance Director of IBL in 2021. Marlé transferred to Investec in the UK and was appointed as Finance Director in September 2022.

External appointments
None

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2018 (the Code) applied to the Bank for the financial year ended 31 March 2023. The Board confirms that the Bank has complied with the principles, the application of which are evidenced throughout this report. The table below is designed to help stakeholders evaluate how this has been achieved. The Board considers that compliance has been achieved throughout the year, with the exception of Principle 12 and the explanation can be found below.

Board leadership and Company purpose

A. An effective entrepreneurial Board, which is collectively responsible for the long-term sustainable success of the Bank, ensuring due regard is paid to the interests of our stakeholders. Please refer to pages 62-65 for the directors' biographies

B. Purpose, values and strategy are aligned with culture, which is promoted by the Board (read more on page 15)

C. Resources allow the Bank to meet its objectives and measure performance. A framework of controls enables assessment and management of risk (read more in section 3 of this report)

D. Engagement with the Bank's stakeholders is effective and encourages their participation (read more on page 15)

E. Workforce policies and practices are consistent with the Investec Group's purpose and values, and overseen by the Board (read more on page 23). The workforce is able to raise matters of concern, and responsibility for whistleblowing arrangements sits with the IBP Audit Committee, as detailed on page 79.

Division of responsibilities

F. The Chair has overall responsibility for the leadership of the Board and for ensuring its effectiveness in all aspects of its operations. The Chair, Brian Stevenson, was considered to be independent on appointment. The responsibilities of the Chair are set out on page 67

G. There is a clear division of responsibilities at the head of the Company. There is a clear separation between the role of the Chair and CEO. The Board comprises an appropriate combination of Non-Executive and Executive Directors (read more on page 67)

H. Non-Executive Directors are advised of time commitments prior to appointment. The time commitments of the directors are considered by the Board on appointment, and annually thereafter. External appointments, which may affect existing time commitments, must be agreed with the Chair, and prior approval must be obtained before taking on any new external appointments

I. The Company Secretaries and the correct policies, processes, information, time and resources support the functioning of the Board.

Composition, succession and evaluation

J. There is a procedure for Board appointments and succession plans for Board and senior management which recognise merit and promote diversity (read more on page 70)

K. There is a combination of skills, experience and knowledge across the Board and the Board Committees. Independence, tenure and membership are regularly considered

L. The annual effectiveness review of the Board and the individual directors considers overall composition, diversity, effectiveness and contribution (read more on page 72).

Audit, risks and internal controls

M. Policies and procedures have been established to ensure the independence and effectiveness of the internal and external audit functions. The Board satisfies itself of the integrity of the Bank's financial and narrative statements (read more on pages 87-88)

N. The Board presents a fair, balanced and understandable assessment of the Bank's position and prospects (read more on page 88)

O. Procedures are in place to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Bank is willing to take in order to achieve its long-term strategic objectives (read more on page 40)

Remuneration

P. The Bank is committed to offering all employees a reward package that is competitive, performance-driven and fair. Our policies are designed to support the Bank's strategy and to promote its long-term sustainable success, with executive remuneration aligned to our purpose, values and strategic delivery (read more on page 92)

Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration (read more in the Remuneration Report starting on page 91)

R. The remuneration policy seeks to ensure all remuneration decisions made by directors, fully consider the wider circumstances as appropriate, including, but not limited to, individual performance (read more in the Remuneration Report starting on page 92).

Non-compliance with Provision 12

Following the departure of Moni Mannings, the Board, on the recommendation of the Nomination Committee, agreed to not appoint a Senior Independent Director (SID). Whilst we note the Code requirement for a SID, we are confident that we have sufficient arrangements in place. It is noted that under the Code, the key responsibilities of the SID are to provide a sounding board for the Chair, to serve as an intermediary for the other directors and shareholders, and to appraise the Chair's performance. Given the structure of the Investec Group, in particular the cross directorships between the Boards and committees and our culture, we believe that there are sufficient communication channels open for Directors. There are existing communication channels available to the Bank Chair from a sounding board perspective, and for other directors and the shareholder, the Group, from an intermediary perspective. This further aligns with the process adopted by the Group's other principal subsidiaries, which do not have a SID. The assessment of the Chair's performance will be conducted by the Chair of the Group, who already considers the Bank Chair's performance on an annual basis, given his role on the Group Board.

BOARD AND EXECUTIVE ROLES

The key governance roles and responsibilities of the Board are outlined below:

Chair

- Leads the effective operation and governance of the Board
- Sets agendas which support efficient and balanced decision-making
- Ensures effective Board relationships and a culture that supports constructive discussion, challenge and debate
- Together with the Investec Group Chair, leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all Board members
- Oversees the evaluation of the performance of the Board collectively, Non-Executive Board members individually and contributes to the evaluation of the performance of the Executive Directors
- Ensures that the Board sets the tone from the top, in regards to culture
- Serves as the primary senior interface with regulators and the Bank on behalf of the Board.

Chief Executive

- Leads and manages the Bank within the authorities delegated by the Board
- Proposes and directs the delivery of strategy as agreed by the Board
- Develops and recommends business plans, policies, strategies and objectives for consideration by the Board, taking into consideration business, economic and political trends that may affect the operations of the Bank
- Ensures the Bank's culture is embedded and perpetuated across the organisation
- Develops and supports the growth of all the Bank's businesses
- Monitors and manages the day-to- day operational requirements and administration of the Bank
- Manages the Bank's risk appetite.

Chief Risk Officer

- Responsible for the effective management of risk within the Bank
- Ensures that the Bank's risk management, conduct and governance processes and procedures are effective
- Provides the Board with updates on the Bank's risk management, conduct and governance processes
- Manages within the Bank's risk appetite.

Non-Executive Director

- Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals
- Constructively challenges and contributes to assist in developing the Group's strategy
- Monitors the performance of management against their agreed strategic goals
- Oversees the effectiveness of internal controls and the integrity of financial reporting
- Reviews succession planning for the Board and management
- Oversees the management of risk as set out in the risk management framework
- Oversees the remuneration of the Executive Directors and the Bank's employees.

Company Secretary

- Maintains the flow of information to the Board and its committees and ensures compliance with Board procedures
- Ensures and keeps the Board updated on corporate governance developments
- Facilitates a programme for the induction and ongoing development of directors
- Provides advice, services and support to all directors as and when required.

Finance Director

- Leads and manages the finance function
- Provides the Board with updates on the Bank's financial performance
- Provides strategic and financial guidance to ensure that the Bank's financial objectives and commitments are met
- Oversees the financial management of the Bank including financial planning, capital, cash flow and management reporting
- Develops all necessary policies and procedures to ensure the sound financial management and control of the Bank's business.

BOARD ACTIVITIES

What we did in 2022/23

The following pages outline the key topics reviewed, monitored, considered and debated by the Board in 2022/23. Board meeting discussions are structured to allow for strategic discussions, consideration of key risks and monitoring of the Bank's culture with the agenda being agreed in advance by the Chair, in conjunction with the CEO and the Company Secretary.

Meetings held in 2022/23

Members	Meetings attended	Eligible to attend[1]
Brian Stevenson (Chair)	7	7
Henrietta Baldock	6	7
Zarina Bassa	7	7
David Germain	6	7
Ruth Leas	7	7
Moni Mannings[2]	4	5
Kevin McKenna	7	7
Paul Seward	6	7
Fani Titi	7	7
Marle van der Walt[3]	5	5
Lesley Watkins	7	7

1. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair.
2 Moni Mannings stepped down as a director on 31 January 2023
3. Marle van der Walt was appointed a director on 20 September 2023.

Strategy

Strategic initiatives

The Board reviewed the key strategic initiatives, including the Bank's digital savings platform and strategic investments in Monese and Capitalmind International B.V.
The Board also reviewed and approved the proposed combination of Investec Wealth & Investment UK and Rathbones Group plc.

Business reviews

The Board welcomed leaders within the business on certain business areas including Fund Solutions, the Listed Client Group, Real Estate and Investec Bank (Channel Islands) receiving an update on the business unit's performance, strategy and any risks faced by the business.

Financial

Budget

The Board considered performance versus the 2022/23 budget,
The Board also agreed the 2023/24 budget.

Going concern and viability statement

The Board received and approved the going concern and viability statements.

Results

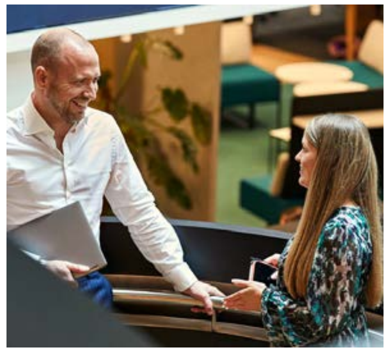
The Board reviewed and approved the full year results.

BOARD ACTIVITIES
CONTINUED

Governance

Committee reporting

The Board received written Committee reports from the Chairs of our Board Committees on the proceedings of those meetings, including the key discussion points and particular matters to bring to the Board's attention.



Matters Reserved for the Board

The Board approved the Matters Reserved for the Board following a comprehensive review.

Board effectiveness review

The Board discussed the outcome of the annual Board effectiveness review and agreed actions arising from it.
The Board also reviewed progress made against the action plan for 2021/22.

Read more on **pages 72-73**

Risk and assurance

Risk profile

The Board reviewed and debated the overall risk profile, particularly the principal risk, emerging risks and risk appetite. The Board approved the risk appetite ensuring that there was adequate diversification, reducing concentration and country risk whilst achieving the Bank's strategic objective of growth.

Risk management

The Board reviewed the management systems, including financial, operation and compliance controls, and reviewed the effectiveness of the Bank's internal control systems.

Regulatory matters

Projects

The Board reviewed the progress of key regulatory projects including operational resilience, Consumer Duty and the transition to the Internal Ratings Based (IRB) approach.
The Board approved the annual self-assessment for operational resilience and the Consumer Duty implementation plan.
The Board also received training on the new Consumer Duty rules.

Regulatory documents

The Board reviewed and approved the key regulatory documents including the Management Responsibilities Map, the CASS attestation, the ILAAP and ICAAP.

Purpose, culture and values

Purpose

The Board received an update and supported the Group's further communication of Investec's purpose.

Culture and values

The Board monitored and assessed culture, receiving regular updates from the Head of People & Organisation.
The Board also received regular updates on the output from workforce engagement activities.

People strategy, leadership and succession

Executive succession

The Board considered the succession plan for the executives and senior management and certain operating subsidiaries.
The Board also reviewed the talent pipeline.

Board succession

The Board oversaw the arrangements for Board succession planning as Moni Mannings stepped down in January 2023 and also approved the appointment of Marlé van der Walt as the Finance Director.

Read more on **pages 70-72**

IBP NOMINATION COMMITTEE REPORT

"Ensuring effective governance through a well-experienced and diverse board is essential to support our strategic objectives"

Brian Stevenson
Chair of IBP Nomination Committee

Introduction

I am pleased to present the IBP Nomination Committee (the Committee) report. The role of the Committee is to have oversight of the composition and effectiveness of the Board and its key governance arrangements. Given the continuing uncertainty and challenging macro-economic environment, both domestically and globally, ensuring a stable and effective Board was of utmost importance.

Succession planning

During the year, the Committee continued to focus on succession planning for the Board and subsidiary Boards. There was a particular focus placed on senior managers in control positions as well as certain subsidiary CEOs and members of the Executive Committee. As the Bank continued its strategy of growth, the Committee also focused on ensuring a balance of collective skills while also aligning to the Bank's culture and values of diversity and inclusion. As noted in last year's report, it had been determined that the addition of a Finance Director would further strengthen the Board. Marlé van der Walt was identified as the candidate following work undertaken by the Committee, and Marlé was appointed as a director in September 2022, following regulatory approval.

The Committee also focused on non-executive succession planning as Moni Mannings stepped down during the course of the financial year. The Committee had considered the roles at length and the current Director and senior management skills, experience and knowledge to identify who was best placed to succeed Moni in her respective roles. Further details are provided within the Committee report below.

The Committee also had regard to the principles of the UK Corporate Governance Code as well as recommendations made within the Parker and FTSE Women Leaders Review.

Board effectiveness

The Committee oversaw the board effectiveness review, and assessed the feedback from the evaluation process. The 2022 Board effectiveness review was facilitated internally as the last external effectiveness review was conducted in the prior year by Fidelio Partners, an external governance specialist, in line with the recommended approach set out in the UK Corporate Governance Code.

Full details of the Board effectiveness review, including the evaluation of the Committee's effectiveness are provided in the Committee report.

Board diversity

The Committee remained focused on ensuring the Board considered diversity when considering composition and succession planning. The Committee also focused on ensuring diversity within the management team and challenged management on the diversity of candidates when reviewing succession plans.

Roles and responsibilities

The role of the Committee is to keep the Board's composition, skills, experience, knowledge, independence and succession arrangements under review and to ensure that appropriate procedures are in place for nominating and evaluating directors. Due regard is given to the benefits of diverse senior leadership, including diversity of thought, gender, social background and ethnicity.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Nomination Committee. The membership of the Nomination Committee of the Wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Nomination Committee.

IBP NOMINATION COMMITTEE REPORT CONTINUED

The IW&I Nomination Committee reports to the DLC Nominations and Directors Affairs Committee (Nomdac). Any matters relevant to the Bank are communicated to the Bank, in part, through having the Chair of the DLC Nomdac, Philip Hourquebie, as a member of the IBP Nomination Committee. It was noted that Philip was also a member of the IW&I Nomination Committee.

The Committee reports to the Board on how it discharges its responsibilities and makes appropriate recommendations to the Board.

Role of the Chair

The role of the Chair of the IBP Nomination Committee requires regular meetings with the executives of the Bank, along with liaison with the Chair of the DLC Nomdac. The Chair also has interactions with internal and external specialist advisers and with Heads of People & Organisation, Compliance and Company Secretarial, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the Chair of the IBP Nomination Committee.

Committee composition, attendance, skills and experience

The Committee is composed of an independent Non-Executive Director, the Group Chair and the Bank Chair who were independent on appointment.

Membership is designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the Committee.

The Chief Executive is invited to attend meetings as appropriate.

Meetings held in 2022/23

Members	Member since	Meetings attended	Eligible to attend[1]
Brian Stevenson (Chair)	16 May 2019	6	6
Philip Hourquebie	5 Aug 2021	6	6
Moni Mannings[2]	16 May 2017	4	5
Lesley Watkins[3]	1 Feb 2023	1	1

1 Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.
2 Moni Mannings stepped down as a director on 31 January 2023
3 Lesley Watkins was appointed as a member of the Committee on 1 February 2023.

Looking ahead

In 2023/24, the Committee will continue to review the composition of the Board and the Board Committees, taking into consideration the Bank's strategy and evolving market conditions while being mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. The Committee will focus on the executive and non-executive succession plans. The Committee will also work with the DLC Nomdac on the recruitment of a further non-executive director.

The Committee will also oversee the implementation of the action plan following the external Board effectiveness review.

Brian Stevenson
Chair, IBP Nomination Committee
27 June 2023

IBP NOMINATION COMMITTEE REPORT
CONTINUED

What we did in 2022/23

Succession planning

Robust succession planning takes into account current and future business needs and ensures a good balance of skills, experience and effectiveness, while recognising the benefits of diversity.

Effective succession planning should take into account contingency planning (for any unforeseen departures or unexpected absences), medium-term planning (orderly refreshing of the Board and Board Committees) and long-term planning (looking ahead to the skills, experience and knowledge that may be required on the Board in the future).

Effective succession planning also contributes to the ability of the Bank to deliver on its strategic objectives.

The Committee reviewed the succession plans below the Board including the IBP Executive Committee members, certain subsidiary CEOs and other senior managers. The Committee identified 'step in' successors and longer-term candidates throughout the financial year, emphasising the importance of development plans for future and potential leaders. This included exposure to the Board, representation on committees and technical development such as executive coaching. In both the short-term and longer-term plans, the curricula vitae (CVs) of the potential successors were reviewed.

A number of the recent appointments to subsidiary boards, including Investec Europe Limited and Investec US, had been utilised to offer development and growth opportunities to senior management. The appointments and succession planning were considered in terms of diversity, development of our employees and the needs of the relevant Board while ensuring alignment to regulatory expectations and requirements.

In terms of non-executive succession, as already noted, Moni Mannings stepped down as a director in January 2023. The Committee considered the numerous key roles that Moni held throughout the organisation covering her responsibilities as the Senior Independent Director (SID), Chair of the Remuneration Committee, membership on the IBP Audit Committee, membership on the Nomination Committee, membership on the DLC Social and Ethics Committee as the IBP representative, and her role as the designated Non-Executive Director for workforce engagement. The Committee on review of the Board composition and the individual skills and experience of directors, made a series of recommendations. Based on the recommendations, the Board approved the appointment of Lesley Watkins as a member of the Committee, Henrietta Baldock as Chair of the IBP Remuneration Committee, subject to regulatory approval and David Germain as the designated Non-Executive Director for workforce engagement. The Board, on the recommendation of the Committee, decided not to replace Moni immediately on the Audit Committee. On discussion of the role requirements of the SID role, it was considered that while the role was a UK Corporate Governance Code requirement, the Committee recommended not to elect a SID with the annual performance evaluation of the Chair being conducted by the Group Chair, Philip Hourquebie, going forward. Please refer to page 66 for our statement of compliance with the UK Corporate Governance Code and our explanation in this regard.

Board effectiveness and training

The Committee oversees development undertaken by the Non-Executive Directors ensuring that the mandatory computer-based compliance training was completed. Directors' Development sessions were also held at least four times during the year, with the Bank's parent company, to provide the Board opportunities to develop knowledge regarding the business, the market, trends and/or regulation. The Committee, in conjunction with the DLC Nomdac, drives the agenda and topics discussed. Topics during the year included:

- Technology/cybersecurity/Fintech
- Operational resilience
- ESG
- Update on the UK economy
- Joint simulation exercise with a simultaneous recovery scenario focusing on governance arrangements and the management of operational dependencies between the UK and SA.

IBP NOMINATION COMMITTEE REPORT
CONTINUED

The Board effectiveness review was conducted internally, as the previous year the evaluation had been conducted externally by Fidelio Partners. There were four stages to the 2022 internal review:

Stage 1: The Committee, with the assistance of the company secretary, prepared a self-assessment questionnaire, which was distributed digitally to all the directors for completion. The questionnaire sought the directors' views on a range of topics including performance and effectiveness of the Board and its committees, composition, strategy, culture and composition of the Board.

Stage 2: The Chair held one on one meetings with each of the directors to discuss the responses and to provide the opportunity to raise any other matters.

Stage 3: A report was prepared by the Company Secretary, based on the results of the questionnaire and the meetings held. The draft report was then discussed with the Chair, whose feedback was incorporated into a final discussion paper including the proposed action plan.

Stage 4: The final report was presented to the Board in March 2023, following its consideration by the Committee. The Board approved the proposed action plan noting that the Committee would monitor the implementation.

The review identified the particular strengths of the Board as being the cohesiveness of the Board which had a good grasp of accountability, a diverse range of skills and an improved focus on strategy.

From a development perspective, the review highlighted certain areas of focus that would further improve the effectiveness of the Board which included an enhanced focus on medium-term strategy and reporting from subsidiaries. These were considered by the Board and an appropriate action plan was agreed.

The Board committees were also reviewed, and, overall, were considered to function well in terms of their effectiveness, decision making and the rigorous manner in which they addressed any issues brought to their attention.

The board action plan for 2022/23 includes:

- Review quality and quantity of reporting information reducing duplication and refining the management information (MI)
- Enhanced reporting from subsidiaries
- Further improving the focus on medium-term strategy

The Chair was also reviewed, with a process led by Moni Mannings in her role as SID, prior to her stepping down from the Board. The Chair was considered to provide robust leadership for the Board, strengthening the link between the executive and non-executive members of the Board as well as providing an improved level of insight into the Group Board.

The Committee will continue to monitor the progress of implementing the action plan.

Board composition

The Committee has continued to review its composition for Board and Board Committees with particular regard to the breadth of skills, knowledge, experience and diversity of members.

The Committee keeps under review and consideration the balance of Non-Executive Directors and Executive Directors, tenure and diversity including gender balance.

The composition of the Board can be seen in the directors' report on page 63-65.

In terms of key considerations, as at the date of this report:

- 50% of the Board are female
- 30% of the Board are Black, Asian and Minority Ethnic
- 60% of the Board are Non-Executive Directors
- All Non-Executive Directors have served on the board for less than nine years

Board suitability

In order to provide assurance that the composition of the Board was appropriate and in line with internal procedures and regulatory guidance, the suitability assessment of the Non-Executive Directors was conducted in July 2022, with the Committee reviewing the feedback in the financial year. A skills matrix has been developed for the annual assessment of the individual suitability of each director and the collective suitability of the Board.

There were no matters of concern raised and the Committee was satisfied that all Non-Executive Directors remained independent in character and judgement. The review provided the Committee with assurance that the composition of the Board was appropriate to support the Bank's strategy.

Diversity

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board.

The Committee maintains the Board Diversity and Inclusion Policy which sets out the approach to the diversity of the Board of Directors and provides a high-level indication of the Board's approach to diversity for senior management roles. There are also measurable objectives including but not limited to, aspiring to meet the recommendations of the FTSE Women Leaders Review and the Parker Review. The Bank has also signed up to the HM Treasury Women in Finance Charter and the Race at Work Charter.

Diversity will remain an area of focus when considering any succession plans.

Further information on the Bank's broader approach to belonging, inclusion and diversity can be found on page 20.

IBP AUDIT COMMITTEE REPORT

Ensuring the effectiveness of the Bank's internal controls and the integrity of financial reporting

Lesley Watkins
Chair of the IBP Audit Committee

Introduction

I am pleased to present you with the report of the IBP Audit Committee (the Committee) for the financial year ended 31 March 2023.

The theme at the end of the previous financial year was one of cautious optimism in anticipation of a broad-based recovery across most sectors of the global economy. Geo-political tensions and the continuous macro challenges, including inflationary pressures and resultant tightened monetary policy, led to the work of the Committee being conducted against a backdrop of heightened uncertainty and volatility.

Accordingly, a key focus of the Committee has been consideration of the assumptions, key accounting judgements and impairment assessments in light of revised credit model output and valuation assessments. Given the uncertainty of the economic outlook beyond the short term, the Committee reviewed the macro-economic scenarios and weightings used for IFRS 9 purposes ensuring that they remained appropriate to capture the uncertainty in the macro-economic environment and model limitations which could impact the loan portfolios. The Committee devoted time to assessing management's estimates of the appropriate ECL assumptions for the Bank's lending portfolios and the appropriateness of an ECL overlay, with consideration of peers and any findings raised by Ernst & Young (EY), and other judgmental items in the financial statements, including management's assessment of valuations for the Bank's principal investments and mark-to-market and hedged positions as well as the going concern and viability assessment and the treatment and disclosure of uncertain tax and other legal matters.

Further details of the key accounting issues considered by the Committee are set out on the following pages.

The Committee has reviewed the output of the internal audit and compliance monitoring plans with a focus on ensuring the timely remediation of findings and received updates from management's Risk & Control Forum, with a particular focus on IT controls, cyber and operational resilience. The Committee has received assurance that the control environment continued to be improved and the risk and control consciousness within the Bank was established. Further details of the internal control issues considered by the Committee during the year are set out on the following pages.

How the Audit Committee works

The IBP Audit Committee's principal responsibilities are to:

- Monitor the integrity of the Bank's financial reporting and satisfy itself, having regard to any issues raised by the external auditor, as to the appropriateness of management's accounting policies and practices; assess that any significant financial judgements, assumptions or estimates made and the disclosures recommended by management are appropriate; and assess whether overall the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the Bank's position and performance, business model and strategy
- Review the effectiveness of the Bank's internal controls, including internal financial controls
- Monitor the activities and the performance of the internal and external auditors (including monitoring their independence and objectivity)
- Oversee the relationship with the Bank's external auditor
- Review and monitor the effectiveness of the Bank's whistleblowing policies and procedures.

Composition, meeting attendance, and interaction with Investec Group

All members of the Committee are independent Non-Executive Directors in accordance with the UK Corporate Governance Code 2018. The Committee includes members who have recent and relevant financial experience and as a whole have competence relevant to the sectors in which the Group operates.

The CEO and Finance Director of the Bank attend meetings on a regular basis but are not members. Other Bank directors may also attend by invitation. The Head of Risk, Head of Internal Audit, Head of Compliance, the external auditor, and Group Company Secretaries also attend meetings on a regular basis.

The Committee meets alone with the external auditor and, separately, with the Head of Internal Audit. Committee members also meet periodically with management and the Heads of Internal Audit, Compliance, Operational and IT risk, and Finance as well as the lead external audit partner and senior management in order to keep knowledge up to date, and to keep abreast of commercial developments and challenges facing the business.

The Chair of the Committee is also a member of the IBP BRCC and, similarly, the chair of IBP BRCC, Paul Seward, is a member of this Committee. This reciprocity of membership helps to ensure interaction between these two committees and a coordinated consideration of the Bank's risks and internal controls where they overlap in relation to both financial risks and non-financial risks, which reflects the holistic oversight of risk at Board level.

The Committee reports formally to the Board. The chair of the DLC audit committee, Zarina Bassa, is a member of this Committee which reflects the dual listed structure of the Investec Group in which Investec Bank plc is the principal banking subsidiary in the UK and the parent company of other material overseas subsidiaries. This representation of the Investec Group audit committee Chair ensures that key audit matters for Bank and its subsidiaries are visible at the Investec Group level, and likewise key audit matters and matters of mutual interest for the Investec Group and IBP are communicated and addressed, where applicable, in the Bank and its subsidiaries. As an example, the IBP Audit Committee worked together with the Investec Group Audit Committee in evaluating the audit firms participating in the audit tender described in this report.

Investec Wealth & Investment, a subsidiary of Investec Bank plc and separately regulated by the FCA, maintains an independent governance structure comprising an independent Board and Audit Committee. The membership of the Wealth & Investment Audit Committee comprises independent Non-Executive Directors. Matters relating to Wealth & Investment do not fall within the remit of the IBP Audit Committee. The Wealth & Investment Audit Committee matters are reported to the DLC Audit Committee. Any matters relevant to the Bank are communicated through the mechanism of having the chair of the DLC Audit Committee as a member of the IBP Audit Committee and the IW&I Audit Committee.

Members	Member since	Eligible to attend[1]	Attended
Lesley Watkins (Chair)	13 Nov 2018	6	6
Zarina Bassa	1 Apr 2017	6	6
Moni Mannings[2]	2 Jul 2017	5	4
Paul Seward	1 Apr 2019	6	5

1. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.
2. Moni Mannings stepped down as a director on 31 January 2023.

External audit

EY were appointed as the Bank's auditor in 1996. The Bank's parent company, Investec plc, is subject to the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order). This regulation requires FTSE-listed companies to put their statutory audit services out to tender at least every 10 years. Accordingly EY (having been Investec plc's auditors since 2000) are subject to a mandatory rotation by the end of March 2024 at the latest. In addition to the requirement as mentioned above for Investec plc, the Bank is also required to rotate EY given the length of EY's service and the Bank's status as a Public Interest Entity (PIE). Accordingly, this Committee participated in a comprehensive tender process, led by the Investec plc audit committee, to consider a range of potential successors to EY. The outcome of this tender process was that Deloitte LLP was nominated as the new external auditor for the Investec Group and the Bank for the financial year starting 1 April 2024.

The Board, on the recommendation of the Committee, approved the appointment of Deloitte as external auditor for the financial year commencing 1 April 2024. However, this appointment will be subject to the requisite formalities, including Investec plc shareholder approval in August 2024. Shareholder approval is being sought in August 2023 for Deloitte to act in a shadow capacity for a full audit cycle as part of their transition process to replace EY.

Further information regarding the tender of the Investec Group and the Bank's external auditors may be found in the Investec Group's 2023 integrated annual report along with the Investec Group's information on the effectiveness, objectivity and independence of EY as auditor of the wider Investec Group. The Committee continuously assesses the effectiveness, objectivity and independence of the external auditors at formal Committee meetings, during private meetings with EY and through discussions with key executive stakeholders. The Committee considers the relationship with the auditor to be working well and remains satisfied with their effectiveness. The Committee monitors whether the level of non-audit fees could impact the independence of the auditors having regard to the nature of the services rendered and the fees paid as a proportion of the overall audit fee. The Committee is satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of EY.

Further details in regards to the audit fees paid are on page 144.

Looking ahead

The Committee will continue to assess the dynamics driving the economy outlined above and the implications of these on accounting requirements and internal controls, and will also continue to assess the adequacy of the internal audit and compliance monitoring plans to ensure adequate oversight of the control environment.

Disclosures relating to climate change and other environmental, social and governance issues will continue to be an area for review and the Committee will continue to ensure that the Bank meets its reporting requirements on these topics in the financial statements. More generally, the Committee will assess any changes to regulations as a result of the UK Government's 'restoring trust in audit and corporate governance' reform package which proposes enhancements to the UK Corporate Governance Code, and responsibilities and remit of audit committees.

The Committee will monitor the transitional arrangements as Deloitte act in a shadow capacity, until they commence their responsibilities for the financial year commencing 1 April 2024.

On 4 April 2023, it was announced that Investec plc and Rathbones Group plc (Rathbones) had entered into a definitive agreement regarding an all-share combination of Rathbones with Investec Wealth & Investment (the Combination). The accounting treatment on and post completion can be found in note 54. The Combination is subject to regulatory approval. The Committee will keep under review the accounting treatment of the Combination and the ongoing impact on reporting and internal controls.

Finally, I must record my thanks to Moni Mannings, who stepped down as a member of the Committee in January 2023, for her contribution to the work of the Committee. The Committee will continue to work with the Nomination Committee to monitor the composition of the Committee.

LWatkins

Lesley Watkins
Chair
27 June 2023

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters

Significant matters are those matters in the view of the IBP Audit Committee that:

- Required significant focus from the Committee
- Were considered to be significant or material in nature requiring exercise of judgement
- In relation to the 2023 annual report and financial statements were otherwise considered to be subjective from an accounting or auditing perspective.

Significant matters relating to the 2023 financial statements	What we did
Expected credit loss (ECL) assessment The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of geo-political tension and the resultant economic impacts in the geographies in which the business operates have resulted in key judgements and assumptions being made during the current year.	• Reviewed and challenged the appropriateness of the forward-looking macro-economic scenarios and assumptions (including the probability weights applied to each scenario and the sensitivity of each) used in credit models and the impact of these on forecast ECL • Evaluated the appropriateness of and methodology for management's proposed ECL overlay to capture model limitations and economic uncertainty • Challenged the level of ECL and the assumptions used to calculate the ECL provisions held • Assessed ECL experienced against forecasts, and peers and considered whether the level of ECL was appropriate. Particular focus was given to exposures which were specifically affected by the high inflation, high interest rate economic environment • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS.
Valuation of fair value instruments with higher risk characteristics and associated income For level 3 instruments, such as unlisted investments in private equity businesses, fair value loans and large bespoke derivative structures, and structured products there is a large degree of subjectivity and judgement surrounding the inputs to the valuations.	• Received reports on the material investments including an analysis of the key judgements and assumptions applied and approved the valuation adjustments proposed by management for the year ended 31 March 2023 • Received reports on and considered the valuation of financial instruments with higher risk characteristics • Challenged and debated significant subjective exposures and assumptions including: – the valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans – fair value of exposures in industries affected by the effects of the high inflationary, high interest rate environment and the Russia-Ukraine war – the appropriateness of the IFRS 13 disclosures on fair value.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters relating to the 2023 financial statements (continued)	What we did
Uncertain tax, contingent liabilities and other legal matters	• Considered potential legal and uncertain tax matters and contingent liabilities with a view to ensuring appropriate accounting treatment in the financial statements • Evaluated the appropriateness of the accounting and disclosures regarding the investigation by the Office of the Public Prosecutor in Cologne, claims by the German Federal Tax Office in Bonn, and the potential related civil claims. This was done by having closed sessions with executive management and external audit. At these meetings, the Committee considered the feedback as received from external and internal legal counsel and the probability of the outcomes including a commercial settlement. Refer to note 45 of the annual financial statements • Received updates from Group Legal on uncertain tax, legal and regulatory matters to enable the Audit Committee to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment and disclosure • Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax positions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the IAS 37 accounting treatment and the overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment.
Going concern and viability statement	• Considered the Bank's profitability, board approved budgets and capital plans through to March 2026, liquidity, operational risk and contingent liabilities. Particular account was taken of the impact of the combination of Investec Wealth & Investment and Rathbones Group plc, the impact of rising inflation, the continuing Russia-Ukraine War as well as the reverse stress testing conducted • Following confirmation from the IBP BRCC, recommended the approval of the going concern and the viability statement assumptions underlying the financial statements to the IBP Board for approval.
External audit	• Managed the Bank's relationship with the external auditor • Met with key members of the EY audit team to discuss and then approve the 2022/23 audit plan and agree key areas of focus • Assessed regular reports from EY on the progress of the 2022/23 audit and material accounting and control issues identified • Discussed EY's feedback on the Bank's critical accounting estimates and judgements • Discussed EY's report on certain control areas including IT and the control environment ahead of the 2023 financial year-end • Assessed the performance, independence and objectivity of the external auditors • Collaborated with the Investec plc audit committee on the external auditor tender process to nominate Deloitte as a successor for EY for the 2024/25 audit.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters relating to the 2023 financial statements (continued)	What we did
Fair, balanced and understandable reporting The Bank is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the Bank's position and performance, business model and strategy.	• Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth, critical review of the annual financial statements including the accounting policies used and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Concluded that the processes underlying the preparation of the annual report and financial statements for the year ended 31 March 2023 were appropriate in ensuring that those statements were fair, balanced and understandable • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences • Recommended to the Board that the 2023 annual report and financial statements were fair, balanced and understandable • Considered in particular the disclosures relating to climate change.

03 Risk management and governance CORPORATE GOVERNANCE Investec Bank plc Annual Financial Statements 2023

IBP AUDIT COMMITTEE REPORT
CONTINUED

Other significant matters	What we did
Internal controls and the business control environment	• Received regular reports from management's Risk and Controls Forum and the Head of Compliance and Internal Audit on IBP and subsidiaries within the Committee's terms of reference. Based on this reporting, evaluated the impact of evolving risk, including operational risk, on the internal control environment, including IT • Evaluated and tracked the status of material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed timeframes. Particular attention was paid to the effectiveness of IT general controls and controls impacting financial reporting as well as IT and cyber security risk management and governance • Evaluated reports on the internal control environment from the internal and external auditors • Assessed reports on individual businesses and functions on their control environment, discussed identified control failures and closely monitored the status of remediation plans • Received updates from senior management, and monitored action plans following internal audit findings • Requested confirmation from management regarding the remediation of issues identified including the time frames and accountability for remediation • Reviewed and approved the compliance monitoring plan and received regular updates • Reviewed the results of the Combined Assurance Matrix coverage plan at the year-end to assess the results of actual coverage and conclusions • Reviewed the internal and external CASS assurance reports on client money and assets.
Internal audit	• Agreed the internal audit plan taking into account the risk assessment, methodology and resourcing • Received regular reports from internal audit of all significant issues identified by them • Monitored the delivery of the agreed plan • Tracked the levels of high and moderate risk findings and monitored the related remediation plans • Met with the Head of Internal Audit without management being present to discuss any issues arising • Monitored the skill set, independence and objectivity of internal audit and considered succession and resource planning • Debated and considered the Head of Internal Audit's independence and determined that she remained independent • Received an opinion from internal audit on the effectiveness of the internal controls and the risk management framework as part of the year-end sign-off process • Monitored audit quality in relation to internal audit reviewing the methodology, process and skills.
Whistleblowing	• Received and considered reports from management on the Bank's whistleblowing arrangements • Reviewed the reports to ensure that there were arrangements in place which colleagues could use in confidence and anonymously without fear of retaliation to report concerns about inappropriate and unacceptable practices, and that there was proportionate and independent investigation of such matters or appropriate follow-up • Considered the independence and effectiveness of the Bank's policies and procedures on whistleblowing.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT

"As the macro environment evolves so does our risk management enabling the Bank to succeed"

Paul Seward
Chair of IBP BRCC

Introduction

I am pleased to present the report on how the IBP BRCC (the Committee) has discharged its responsibilities throughout the financial year ended 31 March 2023.

The past year proved to be challenging as a result of the macro-economic environment. From a global perspective, the inflationary pressures and geo-political tensions, particularly the war in the Ukraine, had resulted in significant market disruption presenting a number of risks to the Bank, our people and clients. In addition, the political backdrop in the UK and the instability of certain US banks introduced uncertainty and a lack of confidence which further worsened the market disruption. Notwithstanding the macro-economic environment, the Committee through review and challenge was assured that the Bank remained focused on its strategy, strengthening the franchise, and achieving good results for clients. Overall, the Committee was satisfied that the Bank's risk culture and control environment remained strong and the Bank was in a good position to deal with the risks faced by the business.

The major focus areas for the Committee were the monitoring of risks, in particular, liquidity, market risk, credit quality, fraud and financial crime. Deep dives for all material portfolios were undertaken by Credit to ensure that they were as resilient as possible to the operating environment with the review including interest rate sensitivity analysis. The Committee continued its practice of extensively reviewing the benchmarking exercises undertaken by management to seek comfort in terms of ECLs, the management ECL overlay, credit loss ratio and coverage ratios for assets. Whilst the credit loss ratio had increased slightly, this was predominantly as a result of it normalising following a benign environment in terms of rates and assurance was received that it was not indicative of any worsening in credit quality.

Fraud risk continued to be heightened, with the rise in brand impersonation fraud, stolen device fraud and authorised push payment fraud. The Committee received updates on controls and enhancements being implemented as well as the training and awareness undertaken both for employees and clients. The Committee received updates from the Money Laundering Reporting Officer (MLRO) on the controls in place in order to mitigate the increased sanction risks as well as the Bank's preparedness to comply with the enhanced due diligence and onboarding criteria for South African clients as a result of the Financial Action Task Force's (FATF's) decision to place South Africa on its grey list.

The Bank's liquidity and capital was closely monitored and continued to be managed conservatively to ensure financial resilience in light of ongoing market volatility due to the macro-economic environment. The liquidity and capital metrics continued to far exceed regulatory and internal minimums. The Committee reviewed and challenged the appropriateness of the funding mix of the Bank. The Committee also reviewed the impact of rising interest rates and the structural hedge implemented to manage interest rate risk going forward.

Regular stress testing (which includes reverse stress testing) was conducted and the assumptions were challenged to ensure that they were sufficiently severe. The stress testing also extended to climate transition risk utilising the Bank of England's Climate Biennial Exploratory Scenario (CBES) scenario, with the focus being on the Transportation (Aviation and automotive) and Real Estate portfolios. The Committee also reviewed the new requirements published by the Basel Committee on the effective management and supervision of climate-related financial risks.

People risk continued to be a key area of focus for review by both the Committee and at Board level particularly relating to the wellbeing of employees, the impact of the cost-of-living crisis, upward pressure on reward and the risk around talent retention and attrition, with a specific focus on technology resourcing. The Committee ensured that key risk and compliance functions were adequately resourced in order to appropriately manage risks faced by the Bank.

In July 2022, the Financial Conduct Authority (FCA) announced a new consumer duty for financial services which will apply across all firms' regulated activities provided to consumers. A project was established to implement the actions required to ensure compliance and the Committee received regular updates on progress. As an independent Non-Executive Director and Chair of the Committee, the Board determined that I had the appropriate experience and knowledge so was appointed as the board champion for Consumer Duty and as such meet regularly with the Chief Risk Officer and those involved with the project to gain a better understanding of the regulatory expectations and progress being made, ensuring sufficient resource and focus

was being assigned to the project and was being considered by the Board.

The operational resilience of the Bank continued to be an area of focus particularly as the Bank prepared for the new Prudential Regulation Authority (PRA) and FCA regulation on operational resilience, reaffirming the Bank's important business services and impact tolerances and reviewing the Bank's operational resilience self-assessment. Progress updates were received and the Committee noted that further testing was to be conducted on the Bank's operational resilience which would also provide further information on third party concentration risk. In addition, the Committee reviewed the operational readiness of the Bank in the event of a power outage impacting the UK.

The Committee continued to challenge and guide management in strengthening the key risk documents including the risk appetite statements (RAS), the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the contingency funding plan and recovery plan (CFRP).

Finally, on behalf of the Committee, I would like to take the opportunity to thank David Friedland for his invaluable contribution to the Committee.

Role of the Committee

The role of the Committee is to review, on behalf of the Board, the range of risks facing the business. The Committee performs this function by considering the risk reports presented and questions whether existing actions taken by management are appropriate.

The Committee is an essential part of the Bank's governance framework to which the Board has delegated the overseeing of the Bank's risk framework to ensure that the framework is appropriate to the size, scale and nature of the Bank's activities for the purposes of effectively managing the material risks to which the Bank is exposed. The Committee is the most senior Risk Management Committee of the Bank.

The Committee has to ensure that all risks are identified and properly mitigated and managed. The Committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the Bank's risk exposures.

The Committee reports to the Board on how it discharges its responsibilities and makes appropriate recommendations to the Board.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Board Risk Committee. The membership of the Board Risk Committee of the Wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Board Risk and Capital Committee.

The IW&I Board Risk Committee reports to the DLC BRCC. Any matters relevant to the Bank are communicated to the Bank, in part, through having the Chair of the DLC BRCC, Vanessa Olver, as a member of the IBP BRCC.

Role of the Chair

The role of the Chair of the IBP Board Risk and Capital Committee requires regular meetings with the executives of the Bank, along with liaison with the Chair of the DLC BRCC. The Chair also has interactions with the risk functions, Compliance and Head of IT, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business.

Composition and attendance

The Committee is composed solely of independent Non-Executive Directors, with membership designed to provide the breadth of risk expertise and commercial acumen it needs to fulfil its responsibilities. The Chair of the DLC BRCC is a member of the Committee to ensure the interconnection between the Bank and its parent.

Meetings held in 2022/23

Members	Member since	Attended	Eligible to attend[1]
Paul Seward (Chair)	1 Apr 2019	6	6
David Friedland[2]	18 Jan 2019	2	3
David Germain	5 Nov 2020	5	6
Vanessa Olver[3]	4 Aug 2022	3	3
Brian Stevenson	8 Mar 2019	6	6
Lesley Watkins	18 Jan 2019	6	6

1. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.
2. David Friedland stepped down as a director of the Investec Group on 4 August 2022
3. Vanessa Olver assumed the role of DLC BRCC Chair on 4 August 2022 and accordingly became a member of the Committee

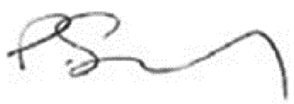
IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Looking ahead

The Committee will continue to monitor overall levels of risk within the business as a result of the Bank's growth strategy as well as macro-economic factors such as the higher interest rate environment and general inflationary pressures on consumers and businesses and the lack of confidence in the global financial market performance. Monitoring will also cover the regulatory changes as a result of Brexit and following the UK government's announcement of the Edinburgh Reforms which are intended to distance the UK from EU regulation and stimulate innovation and competition in the financial services industry. The Committee will continue to review risks arising out of the Bank's retail and overall funding strategies and ensure that the Bank maintains sufficient liquidity and capital buffers to meet regulatory and internal minimums.

The Committee recognises that while strides have been made in terms of the Bank's ESG and climate risk approach, there will continue to be close monitoring of improvements made and the work undertaken to address any requirements as they are published by regulators and other bodies.

In terms of non-financial risks, people risk, fraud risk and operational risk will continue to be areas of focus as well as the effective management of IT and cyber risks, with additional scrutiny of the role of third parties and concentration risk. Operational resilience will also continue to be closely monitored including a focus on understanding third party concentration risk and identifying any third parties critical to the Bank's operations as being part of an important business service (IBS), and including them in the planned testing exercises. There will be enhanced oversight of material regulatory projects including the process of migrating from the standardised approach to the IRB approach, and the Consumer Duty project.



Paul Seward Chair, IBP BRCC
27 June 2023

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Committee Activities

Area of focus	Conclusions and actions
Regulatory Matters and Projects Consideration of key risk documents, the impact of regulatory developments and projects established to implement change effectively.	• Reviewed and challenged the key risk documents, including the ILAAP, ICAAP and CFRP, ahead of final approval • Regular presentations were provided on the new Consumer Duty regulations giving the Committee an understanding of the FCA and PRA expectations, guidance and advising on the project scope, and progress in implementing the new regulation. A deep dive into the regulation, requirements and approval of the implementation plan was also provided to the IBP Board to ensure that all directors had a full understanding • Frequent updates on the IRB project were received providing detail of the governance processes, and the development work so far, including two models which had been approved for validation • Received an update on the discontinuation of LIBOR and transition to risk-free rates as the deadline for the transition of US LIBOR of the end of June 2023 neared. The USD LIBOR decommissioning was significantly smaller than the GBP LIBOR scope was and there were no issues identified as the project remained on track • In terms of the operational resilience regulations, the Committee received regular updates on the progress made to address vulnerabilities identified in the self-assessment, reaffirmed the important business services and impact tolerances and reviewed the updated self-assessment. The Committee challenged the Bank's impact tolerances for important business services as well as providing input on the Bank's self-assessment. The Committee reviewed the work underway to test the resilience of the services and platforms provided by Investec Bank Limited (IBL) and other third party providers • Reviewed any potential and/or actual regulatory breaches and actions taken to mitigate breaches from occurring. The Committee were kept abreast of any relevant regulatory guidance, fines or new regulations • Reviewed the liquidity risk appetite and credit and investment risk appetite, challenging the key assumptions and ensuring the limits were appropriate to enable well-managed, diversified growth as well as other risk appetites including operational risk and business risk • The Committee reviewed the Market Risk appetite and Counterparty Credit Risk appetite to ensure that any learnings from the recent volatility had been incorporated.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT CONTINUED

Area of focus	Conclusions and actions
Financial risk management of the Bank Consideration of the key financial risks and the controls in place to mitigate and effectively manage the risks faced by the Bank. The Committee closely reviewed the management of the credit book in light of macro-economic headwinds and continued to monitor the Structured Products book notwithstanding the significantly reduced risk and reducing materiality.	• Closely assessed the impact on the Bank's ECLs, with a review of the provision, in conjunction with the Audit Committee, to ensure that it was appropriate, taking into account the economic outlook and scenarios. Benchmarking by management had been conducted to provide assurance that the level of ECL and credit loss ratio remained within the range of other UK banks • The Committee were comfortable that whilst the credit loss ratio had increased slightly, it still remained low as ECLs had not been experienced as forecast, it was deemed prudent to partially maintain the management overlay given ongoing uncertainty and the challenging market environment which was a similar approach to the Bank's peers • Closely monitored the credit book given the macro-economic environment and potential for an increase in defaults and Stage 2 and Stage 3 exposures with a focus on the real estate and aviation books. Detailed presentations were received on the top non-performing exposures and the overall performance of the book as well as the mortgage book given the growth in this portfolio over the last two years. The Committee were cognisant that the interest rate environment had changed however, on review of loan to value (LTV) ratios which had reduced, were comfortable with the risk • The Committee received an in-depth presentation from the Bank Funding Group which detailed the diversity of the funding mix which assisted in reducing costs and ensuring adequate liquidity. The Committee also received an update on the structural hedging program which would assist in reducing net interest income (NII) sensitivity • Further enhanced the review and focus on emerging risks and the mitigation thereof which included both internal and external risks • Continued to review and challenge management actions to address the risks ensuring that there was surplus liquidity and capital buffers in place to manage the possible negative impact arising from the challenging macro-economic environment • Reviewed the business areas subject to market risk given the market volatility experienced within the year receiving updates on any losses which remained low • The Committee were kept updated of the actions being taken to improve from an ESG and climate risk perspective which included sustainability workshops and assessing core loans and advances and reviewing the risk classification and energy exposures • In terms of the Structured Products book, the Committee received and challenged the in-depth reporting on the risk management of the exposure to capital-at-risk products including the results of stress testing and focused on management's continued progress in de-risking the book which included, but was not limited to, the effectiveness of the macro hedge in place to provide downside protection for the FTSE, Eurostoxx and S&P at certain levels, the unwinding of over-the-counter (OTC) interbank trades and monitored the forecasts of the book's performance and run-off profile. The Committee gained assurance that the risk continued to reduce and had been well managed through the market volatility experienced in September 2022 and March 2023

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT CONTINUED

Area of focus	Conclusions and actions
Non-financial risk management of the Bank Consideration of the key controls and processes to ensure that they were appropriate and effective to manage the material non-financial risks faced by the Bank.	• There had been an enhanced focus on IT and cyber risk with updates received on the progress to close any findings from the latest targeted attack simulation (TAS) exercise and improvements being made relating to data loss minimisation and access management controls. Updates on third party monitoring and the work being undertaken to enhance oversight processes and better understand concentration risk of third and fourth parties was received with a particular focus on Cloud concentration risk • Closely monitored operational risk losses and events to gain assurance that there were no trends or issues within the control environment • The Chair of the Committee, David Germain and DLC representative member (Vanessa Olver) attended DLC IT Risk and Governance Committee meetings to provide enhanced oversight of IT risk • The Committee closely monitored people risk from a wellbeing perspective as well as the risks arising as a result of the cost-of-living crisis and resourcing as well as the market-wide challenges in terms of talent attraction and retention • The Committee reviewed the financial crime controls and systems used, tracking the implementation of the new transaction monitoring system, with a particular focus as a result of the sanctions and risks arising from the war in Ukraine. There was also attention given to the processes and controls implemented to ensure compliance with the additional due diligence requirements and enhanced level of transaction monitoring because of FATF placing South Africa on the grey list • Any potential or actual fraud losses were examined by the Committee as fraud risk remained heightened throughout the industry. Overall, losses remained low and within risk appetite and the controls and processes were assessed to ensure they remained appropriate with enhancements being implemented to support fraud investigations. Updates on the training undertaken and enhanced quality assurance framework were reviewed as well as the progress of the retail transition from a fraud perspective • The Committee enhanced its oversight of projects with a focus on regulatory projects ensuring that adequate time and resource had been assigned to effectively deliver projects.

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 31 March 2023.

The Company has chosen, in accordance with Section 414C(11) of the UK Companies Act, to include certain matters in its strategic report which are incorporated into this report by reference as follows:

- An indication of likely future developments in the business of the Company and its subsidiaries (throughout our strategic report)
- Our risk management objectives and policies in relation to the use of financial instruments, page 41
- A statement as to material events since 31 March 2023, page 226
- Our approach to diversity includes employment of disabled persons, page 15. More detail can be found in the Investec Group Sustainability Report which is published and available on our website www.investec.com
- Stakeholder engagement (including employees and others), page 15
- Details of charitable activities including any donations, page 15
- Statement of corporate governance arrangements, pages 60-85

Results and dividends

The results for the year are shown on page 23. Movements in reserves are shown in the reconciliation of equity on page 124 of the financial statements. An interim dividend of £15 million was paid on 15 November 2022. On 16 May 2023, the Board declared that a dividend of £35mn for the period ended 31 March 2023 be paid on 9 June 2023.

Directors

The names of the persons who were directors during the financial year are set out in the table below. Biographical details of directors appointed as at the date of this report are set out on pages 62-65.

	Appointed	Stepped down
Henrietta Baldock		
Zarina Bassa		
David Germain		
Ruth Leas		
Moni Mannings		31 Jan 2023
Kevin McKenna		
Paul Seward		
Brian Stevenson		
Fani Titi		
Lesley Watkins		
Marlé van der Walt	20 Sept 2022	

Independent auditor and audit information

Ernst & Young LLP have indicated their willingness to continue in office as auditors. A resolution proposing their re-appointment as auditors will be submitted to the annual general meeting.

Each person who is a director at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Going Concern statement

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the Bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance which are set out in the strategic report. The Directors have performed a robust assessment of the Bank's financial forecasts across a range of scenarios over a 12 month period from the date the financial statements are authorised for issue. The assessment specifically incorporated analysis of the macroeconomic environment and the impact of the proposed combination of Investec Wealth & Investment and Rathbones Group plc on the Bank's projected performance, capital, liquidity and funding positions, including the impact of scheduled repayment of borrowings and other liabilities. After considering the analysis and factors referenced, the directors confirm that they have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, which was adopted by Investec Bank plc as the corporate governance code of the Bank, in addition to providing a going concern statement, the Board is required to make a statement with respect to Investec Bank plc's viability (i.e. its ability to continue in operation and meet its liabilities), taking into account the current position of the Bank, the Board's assessment of Investec Bank plc's prospects and the principal risks it faces. Following consideration, the IBP Audit Committee recommended the viability statement for Board approval.

The Board has identified the principal and emerging risks facing the Bank and these are highlighted on page 41 onwards, with further detail provided in the Investec plc (Investec Bank plc's parent company) annual report.

DIRECTORS' REPORT CONTINUED

Through its various committees, notably the IBP Audit Committee, the IBP BRCC and the IBP Capital Committees, the Board regularly carries out a robust assessment of these risks and their potential impact on the performance, liquidity, solvency, and operational resilience of Investec Bank plc. The activities of these Board sub-committees and the issues considered by them are described in the governance section of this report.

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

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

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

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

In order to manage liquidity risk, liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm specific, and combined scenarios (combination of the market-wide and firm specific stresses). Investec Bank plc manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the Board-approved risk appetite. In addition to these stress scenarios, the Bank's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each legal banking entity within Investec Bank plc is required to be fully self-funded. The Bank currently has £8.6 billion in cash and near cash assets, representing 44.4% of customer deposits.

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

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

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

DIRECTORS' REPORT
CONTINUED

- the scenario is an economic shock driven by energy and other cost pressures which cause a sharp rise in inflation, in turn prompting a sharp rise in interest rates; the BoE's Bank rate is assumed to rise to 6%. In the UK a year long recession ensues before a recovery is witnessed, supported by an easing in monetary policy. Notably there are severe shocks across various sectors, UK house prices are expected to fall 30% for example, whilst global financial markets witness a significant repricing, equity indices such as the FTSE 100 fall 45%, whilst credit spreads widen sharply.

Investec Bank plc implements regulatory scenarios (UK BoE Annual Cyclical Scenario) when they are published by the regulator. The BoE published their new ACS in September 2022, and this scenario has been implemented as part of IBP's 2023 stress testing program.

The Board has assessed the Bank viability in its 'base case' and stress scenarios. In assessing Investec Bank plc's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

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

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

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

Investec Bank plc's parent company, Investec plc is required to maintain a contingency funding and recovery plan, and a resolution pack for the Investec plc consolidated Group. The purpose of the recovery plan is to document how the Board and senior management will ensure that the Investec plc Group recovers from extreme financial stress to avoid liquidity and capital difficulties. The key focus in the recovery plan is the Bank and the protection of its depositors and other clients.

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

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

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

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

- Pages 4 to 14, which show a strategic and financial overview of the business
- Page 43 to 59 which provides detail on the principal and emerging risks the Bank faces and the processes in place to assist Investec Bank plc in mitigating its principal risks
- Pages 40 which provide an overview of Investec Bank plc's approach to risk management
- Pages 43, 233, 254 and 271 which highlight information on Investec Bank plc's various stress testing processes
- Page 260 to 266 which focuses on Investec Bank plc's philosophy and approach to liquidity management
- Page 269 which provides detail on the recovery and resolution pack
- Pages 270 to 275 which explain Investec Bank plc's capital management framework.

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

DIRECTORS' REPORT
CONTINUED

Events after the reporting date

Refer to Note 54 of the Annual Financial statements.

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's report set out on pages 107 to 118, is made with a view to distinguishing for its shareholder the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are responsible for preparing the annual report and the Bank's financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance
- In respect of the Bank financial statements, state whether IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No. 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether IFRS's in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Bank will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the Bank's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No.1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that they face
- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position, performance, business model and strategy.

The strategic report, directors' report and the financial statements of the Bank, were approved by the Board of Directors on 27 June 2023.

Signed on behalf of the board

Ruth Leas	**Brian Stevenson**
Chief Executive	Chair
27 June 2023	27 June 2023

Remuneration report

04

IN THIS SECTION

REMUNERATION REPORT

"We are confident that the steps we have taken have allowed us to effectively reward our people who have performed strongly, retain our key people, and ensure strong alignment with the Specialist Bank, Group and our shareholder in the future."

Henrietta Baldock

Chair of the IBP Remuneration Committee

Key achievements in FY2023

- Considered and approved the proposed 2023 remuneration approach for Executive Directors, senior management, Material Risk Takers (MRTs), control function employees and other employees
- Approved the variable remuneration spend and overall remuneration approach for the financial year ended 31 March 2023
- Reviewed and approved fixed remuneration increases, taking into consideration the overall approach in the context of the current high inflationary environment and its impact on the cost of living
- Approved the delivery of one-off support payments of up to £2 000 to colleagues on full time equivalent salaries of less than £50 000 in light of the cost-of-living crisis
- Reviewed the diversity implications of the remuneration philosophy, policy and structures, including the diversity pay gap figures
- Considered the interaction between culture and reward and the potential implications thereof
- Reviewed the non-standard remuneration structures within Investec Bank plc
- Regularly considered external legislative and regulatory developments
- Regularly considered the application of malus and/or clawback
- Reviewed key new hires and exits, including the remuneration outcomes for leavers.

Areas of focus in FY2024

- Continue to review fixed remuneration levels considering the current high inflationary environment and its impact on the cost of living for our employees
- Consider and approve the remuneration framework and objectives for the Chief Executive, in the context of the Group Executive Team framework
- Consider and approve the remuneration framework and objectives for the Investec Bank plc (IBP) Executive Committee
- Consider the belonging, inclusion and diversity implications of the remuneration philosophy, policy and frameworks including equal pay and the diversity pay gaps
- Consider how our remuneration philosophy, policy and practices support and align with our ESG initiatives
- Consider how the overall remuneration philosophy and approach supports and aligns with the Investec Group strategy
- Continue to regularly consider the application of malus and/or clawback
- Consider the alignment of remuneration policies and practices for all employees with the Chief Executive and executive team
- Review and consider how the remuneration philosophy, policy and approach align with and support our culture
- Consider the risk implications of our remuneration policies and frameworks
- Review regulatory changes relating to remuneration, including the proposed removal of the bonus cap for MRTs.

Meetings held in 2022/23

Members	Member since	Eligible to attend	Attended
Henrietta Baldock (Chair)*	5 August 2021	6	6
Moni Mannings*	20 May 2019	5	5
Brian Stevenson	20 May 2019	6	6
Lesley Watkins	20 May 2019	6	6

* Henrietta Baldock became Chair of the Remuneration Committee on 1 February 2023.
** Moni Mannings stepped down from the IBP Board and as Chair of the Remuneration Committee on 31 January 2023.

REMUNERATION REPORT CONTINUED

Introduction

It is my pleasure to present the remuneration report for the year ended 31 March 2023, which describes the approach to remuneration at the Specialist Bank

I was appointed Chair of the Remuneration Committee on 1 February 2023, pending regulatory approval. I would like to thank Moni Mannings for her contribution as Chair of the Remuneration Committee since 2019.

The IBP Remuneration Committee has responsibility for remuneration within the Specialist Bank and ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the Bank operates, including its obligations as an independent bank regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). While the IBP Remuneration Committee is responsible for remuneration within the Specialist Bank, it reports key items up to both the IBP Board and the DLC Remuneration Committee.

Before we turn to look in more detail at key aspects of our remuneration, I would like to reflect on the IBP Remuneration Committee's responsibilities, achievements and challenges encountered over the past year, and to consider the key areas of focus for the Committee in the year ahead.

Role of the Chair

The role of the Chair of the IBP Remuneration Committee requires regular meetings with the executives of the Bank. The Chair also has interactions with internal and external specialist advisers and with the Heads of Reward, People & Organisation, Compliance and Risk, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the Chair of the IBP Remuneration Committee.

Composition

I served as Chair of the IBP Remuneration Committee from 1 February 2023, pending regulatory approval which was received on 11 April 2023.
Moni Mannings served as Chair of the IBP Remuneration Committee from 1 April 2022 to 31 January 2023.The other members of the Committee, who served for the full year, were Brian Stevenson and Lesley Watkins.

The IBP Remuneration Committee is composed of independent Non-Executive Directors, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the IBP Remuneration Committee.

I also served as Chair of the DLC Remuneration Committee for the full year. This has enhanced the interconnection between the IBP Remuneration Committee and the DLC Remuneration Committee.

Committee responsibilities

The IBP Remuneration Committee is responsible for considering the remuneration arrangements of the Executive Directors, senior employees including Material Risk Takers (MRTs), and that of the wider workforce of the Specialist Bank. The remuneration framework, performance measures and metrics for the IBP Chief Executive Ruth Leas, who is a person discharging managerial responsibilities (PDMR) of the Investec Group, are determined by the DLC Remuneration Committee following consultation with the IBP Remuneration Committee. The annual remuneration for the Chief Executive is then reviewed by the IBP Remuneration Committee, with a recommendation provided to the DLC Remuneration Committee.

The IBP Remuneration Committee receive reports from the IBP Reward Committee, which has been mandated to oversee the reward framework for Investec Bank plc employees, and act as the Malus and Clawback Committee to apply the Specialist Bank's policy in this regard.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent Board and Remuneration Committee.
The membership of the Remuneration Committee of our wealth business comprises independent Non-Executive Directors. Matters relating to IW&I do not fall within the remit of the IBP Remuneration Committee, with the exception of any individuals who are designated as MRTs for the Investec plc consolidation group under the PRA Remuneration Code.

The IW&I Remuneration Committee reports to the DLC Remuneration Committee. Any matters relevant to the Specialist Bank are communicated to the Bank, in part, through having the Chair of the DLC Remuneration Committee, myself, as the Chair of the IBP Remuneration Committee.

The IBP Remuneration Committee reviews and recommends the remuneration for the Executive Directors and senior employees of the Bank to the DLC Remuneration Committee.
The policy on remuneration packages for Non-Executive Directors is agreed and determined by the Investec Group Board.

The past year in focus

The past year was a challenging year for the IBP Remuneration Committee, requiring a strong focus on operating within and responding to the high inflationary environment and its impact on the cost of living, whilst encouraging return to the office and ensuring that key talent was retained in a competitive job market. The Committee ensured they focused on balancing the interests of various stakeholders in considering the approach to remuneration, in particular variable remuneration payouts.

In response to the impact of the cost-of-living crisis, the Committee approved the delivery of one-off support payments of up to £2 000 to colleagues on full-time equivalent salaries of less than £50 000.

As outlined in the Corporate Governance section, the Board and the IBP Remuneration Committee have a strong focus on culture. It has been frequently documented, including by our regulators, that remuneration structures and practices can and do have a significant impact on the culture within organisations. Therefore this potential effect has a significant bearing on the approach and deliberations of the IBP Remuneration Committee when reviewing remuneration processes and practices within the Specialist Bank, and has driven some of the changes implemented, including the executive remuneration framework outlined below.

David Germain has replaced Moni Mannings as the designated Non-Executive Director for workforce engagement for the Specialist Bank. Activities during the year have included culture dialogues, diversity and inclusion programmes, talent programmes, town halls, and question and answer sessions.

A quarterly workforce engagement synthesis meeting is also held with myself as the designated Non-Executive Director for workforce engagement for the Board of Investec Plc, and Cath Thorpe for IW&I, to ensure that the

REMUNERATION REPORT
CONTINUED

matters of interest to our people are considered across the Group.

The IBP Remuneration Committee also oversaw the details and publication of the Bank's annual pay gap report, which includes the ethnicity pay gap. Refer to the pay gap report published on the Investec website for full details.

The IBP Remuneration Committee is committed to ensuring further improvement in the future. In addition, the Specialist Bank is a signatory to the Women in Finance Charter, and in doing so has committed to, among other items, linking the pay of senior executives to delivery against the set targets. We exceeded our 2022 Charter Targets and we are pleased to confirm that new Charter targets have been set for 2027. Full details were disclosed on our website in December 2022.

Throughout the year, the Remuneration Committee reviewed the proposed approach to variable remuneration for the financial year ending 31 March 2023 and agreed the final approach in May 2023.

We are confident that the approach taken has enabled us to invest in appropriate strategic initiatives, reward those who performed strongly, retain our key people and further strengthen the alignment with the Specialist Bank, the Group and our shareholder.

Performance and outcomes for the year

The revenue momentum experienced in the first half of the financial year continued into the second half. Net interest income benefitted from higher average interest-earning assets and rising global interest rates. Increased client activity contributed to non-interest revenue over the year, off-set by lower fees from equity capital markets.

Variable remuneration for the 2023 year was calculated using the standard Economic Value Added (EVA) calculation.

Profits have increased this year by 42.1% and our people have delivered a strong performance and have been rewarded accordingly. We considered the needs of all of our stakeholders, including our shareholder, when determining the remuneration spend for the year. We agreed the following principles to guide our approach:

- Ensure we are rewarding for performance
- Protect our business (so we have a sustainable, viable business in the long term)
- Ensure we retain those individuals who are deemed key to the future strategy of the business
- Mitigate flight risk and potential impact to the franchise
- Account for external factors, including the views of our shareholder and regulators
- Ensure we are sensitive to and supportive of the communities in which we operate.

Looking ahead

It has been a very positive year for the business and we remain confident in the performance and strength of our business, the dedication of our people and the optimised scale, resilience and technology within the business.

The IBP Remuneration Committee will focus in the coming year on our remuneration practices, with particular attention being given to ensuring that our philosophy, policy and approach support and align with our culture, and our approach to belonging, inclusion and diversity. The IBP Remuneration Committee will also be focused on continuing the return to the office and operating within and responding to the high inflationary environment and its impact on the cost of living.

The IBP Remuneration Committee believes that the Specialist Bank's approach to executive remuneration is designed to incentivise exceptional performance from its executives and employees, and ensure they are rewarded appropriately for performance.

The Specialist Bank is also focused on ensuring that its approach to reward is fair in all aspects, and that all stakeholders are taken into account when determining how executives and employees are rewarded.

The IBP Remuneration Committee considers that there is strong alignment between the Specialist Bank's remuneration structure and the Bank's stakeholders, especially with vesting periods of share awards granted to employees which generally vest over five years, and in some cases seven years, with additional post-vesting retention periods for MRTs.

Conclusion

The Committee has had a positive year, dealing with many challenging matters which include operating within and responding to the high inflationary environment and its impact on the cost-of-living, whilst encouraging the return to the office and ensuring that key talent was retained in an extremely competitive job market.

We are confident that the steps we have taken have allowed us to effectively reward our people who have performed strongly, retain our key people, and ensure strong alignment with the Specialist Bank, the Group and our shareholder.

Henrietta Baldock
Chair, IBP Remuneration Committee
27 June 2023

REMUNERATION REPORT
CONTINUED

Remuneration overview

Inside this section

Remuneration philosophy and approach for all employees

Our remuneration approach is designed to foster an exceptional performance culture that enables an entrepreneurial spirit as well as a strong sense of ownership. We use remuneration to help attract and retain culturally aligned, smart, innovative and talented people who adhere and subscribe to our culture, risk appetite, values and philosophies, and to recognise and drive out of the ordinary performance.

The Specialist Bank's remuneration levers work to:

- Provide a sense of security, so people feel free to innovate, challenge and influence
- Motivate people to deliver exceptional performance
- Give people a sense of ownership, so they feel invested in the organisation.

Our remuneration approach reflects our culture; it is an honest and challenging process that is tailored to individual roles and acknowledges personal and team contributions. We reward people for the contribution they make through payment of a fixed package, variable performance bonus, and ownership through a share incentive scheme. We strive to provide a working environment that stimulates extraordinary performance so that Executive Directors and employees may be positive contributors to our clients, our communities and the Group.

When determining levels of variable remuneration, the Specialist Bank considers the overall level of performance, culture and risk events in the year. The proportion of variable to fixed remuneration is carefully monitored to ensure compliance with regulatory requirements. All incentives are subject to the Bank's performance adjustment policy. This provides the Bank with the ability to reduce, revoke or recover variable remuneration in respect of a risk, control or conduct issue, event or behaviour.

Given IBP Executive Directors and additional senior Specialist Bank executive incentives are deferred for up to seven years, the Bank does not believe that the incentive structures inadvertently motivate irresponsible or short-term behaviour.

REMUNERATION REPORT
CONTINUED

OVERVIEW OF REMUNERATION FOR ALL EMPLOYEES

Element	Operation – Specialist Bank
Salary	• Paid monthly in cash
Role-Based Allowance	• Role-Based Allowances may be awarded to certain Material Risk Takers to reflect their roles and ensure an appropriate balance between fixed and variable remuneration – Paid monthly in cash – These are fixed, according to the nature of each role, and can only be amended in certain limited circumstances (e.g. a material increase in organisational responsibilities).
Benefits and pension	• Benefits are provided, with the details depending on local market practice – Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances – Pension and benefit levels differ globally to be competitive in different markets, and there is no single pension level across the Group – Specialist Bank Executive Directors have access to the same benefits as Bank employees mentioned above, being Company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance.
Short-term incentive	• Discretionary performance bonuses based on business and individual performance • The amounts available to be distributed are based on the Bank-wide risk adjusted Economic Value Added (EVA) model which is, at a high level, based on revenue less risk-adjusted costs, and overall affordability • At an individual level the bonus allocations are determined based on performance against qualitative and quantitative factors. Qualitative measures include adherence to culture, including supporting belonging, inclusion and diversity, client outcomes, market context, contribution to performance and brand building, attitude displayed towards risk consciousness and effective risk management.
	Non-Material Risk Takers: • For employees who are not Material Risk Takers, all bonus awards exceeding a pre-determined threshold are subject to 60% deferral in respect of the portion exceeding the threshold • The deferred amount is awarded in the form of: short-term share awards vesting in three equal tranches over a period of approximately three years; or cash released in three equal tranches over a period of approximately three years • Deferred bonuses are subject to malus conditions.
	Material Risk Takers: Bonus awards are subject to deferral as follows: • Where variable remuneration, comprising bonus and long term incentives, exceeds £500 000, 60% of variable remuneration is deferred • Where variable remuneration is less than £500 000 40% is deferred, unless the de-minimis concession is met in which case there is no deferral • A minimum of 50% of both the deferred and non-deferred elements are delivered in shares, with the remaining balance in cash or shares • The deferred elements vest over periods from four up to seven years and are subject to an appropriate retention period, generally 12 months, after vesting • All variable remuneration is subject to clawback • All deferred variable remuneration is subject to malus • MRTs are subject to the 2:1 maximum ratio of variable to fixed remuneration.
Other	• Variable remuneration of employees in the audit, risk and compliance functions is set independently of the business they oversee • The Non-Executive Directors are not eligible to participate in any of the Group's incentive plans or to join any pension scheme. They do not receive any taxable benefits over and above reimbursement for agreed travel and subsistence.

REMUNERATION REPORT
CONTINUED

Consideration of all employee remuneration

The IBP Remuneration Committee reviews changes in remuneration arrangements in the workforce as we recognise that all our people play an important role in the success of the Specialist Bank. The Bank is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner, and the IBP Remuneration Committee reviews our practices around creating a fair, diverse and inclusive working environment.

In making decisions on executive pay, the IBP Remuneration Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. Effective from 2019 the Board appointed a designated Non-Executive Director (NED) to represent employees in the boardroom. The designated NED acts as an engagement mechanism between our employees and the Board and some of their key objectives are to:

- Ensure the reward, incentives and conditions available to the Company's workforce are taken into account when deciding the pay of Executive Directors and senior management
- Enable the IBP Remuneration Committee to explain to the workforce each year how decisions on executive pay reflect wider Company pay policy
- Assist the IBP Remuneration Committee to provide feedback to the Board on workforce reward, incentives and conditions, and support the latter's monitoring of whether Company policies and practices support culture and strategy.

The Board believes that employees throughout the Specialist Bank should be able to share in the success of the Bank. As such, as outlined in the table on the prior page, in addition to the fixed pay element, all of our employees have access to market relevant benefits, and all employees are eligible to be considered for an annual bonus after a short initial qualifying period. The Board believes strongly in share ownership among our employees and therefore all employees are, in principle, eligible to participate in our long-term incentive scheme.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at a Specialist Bank, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Determination of remuneration levels for employees

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration in the Specialist Bank include:

- Financial measures of performance:
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values, including supporting belonging, inclusion and diversity
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal control procedures
  - Compliance with the Specialist Bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The IBP Remuneration Committee recognises that the Specialist Bank operates an international business and competes with both local and international competitors in each of our markets
- Appropriate benchmark of industry and comparable organisations' remuneration practices are reviewed regularly
- While benchmarking information is utilised, it is considered along with other relevant factors, including internal comparators, the scope and complexity of the role and the individual's contribution.

Variable remuneration

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives reflects differing regulatory requirements for the different legal entities and also differing competitive pressures in each distinct market in which the Specialist Bank operates.

Specialist Bank: variable short-term incentive

Risk-weighted returns form the basis for variable remuneration levels

In our ordinary course of business, we face a number of risks that could affect our business operations, as highlighted on page 43.

REMUNERATION REPORT
CONTINUED

Risk management is independent from the business units and monitors, manages and reports on the Specialist Bank's risk to ensure it is within the stated risk appetite, as mandated by the Board of Directors through the IBP Board Risk and Capital Committee (IBP BRCC). The Bank monitors and controls risk exposure through credit, market, capital, liquidity, operational and legal risk divisions/forums/committees.

The Specialist Bank's central credit, investment and risk forums, IBP Executive Risk Review Forum (Review ERRF) and IBP Executive Risk Committee (IBP ERC) provide transaction approval independent of the business unit on a deal-by-deal basis.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each business unit on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the executive, and agreed by the IBP Remuneration Committee.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where a business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the executive and IBP Remuneration Committee, with support from the Group and the DLC Remuneration Committee, may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the Specialist Bank, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted that the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the Specialist Bank; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central services and head office employees
- These bonus pools are reviewed regularly by the appropriate management and Non-Executive committees to ensure that awards are only paid when it is appropriate to do so, considering the Group-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the Bank's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees.
- The EVA pools are calculated centrally by the Specialist Bank's finance function and are subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving the People & Organisation function and the executive
- Thereafter, these recommendations are subject to a global review by executive management before the IBP Remuneration Committee and DLC Remuneration Committee review and approval process.

Deferral of annual bonus awards: other than Material Risk Takers within the Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of the portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches over approximately three years; or cash released in three equal tranches over approximately three years. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term share awards. These awards are made under the terms of our existing long-term incentive plans. The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: Material Risk Takers within the Bank

- Material Risk Takers include senior management, risk takers, staff engaged in certain central functions and any other employees whose professional activities have a material impact on the Specialist Bank's risk profile
- Individual awards to MRTs are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the Specialist Bank's remuneration policy and governance processes (also set out above)

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- Variable remuneration awards to Executive Directors of the Bank (excluding Executive Directors who are employees of a separately regulated firm) and all variable remuneration awards to other MRTs where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All variable remuneration awards to other MRTs where total variable remuneration is less than £500 000 are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance are awarded as 50% in cash and 50% in short-term share awards
- The upfront short-term share awards vest immediately, but are only released after a period of 12 months for all MRTs, with the exception of risk managers, for which it is six months
- Variable remuneration awards for MRTs who are not exempted by the de-minimis concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to MRTs will, at the election of the staff member, be made either entirely in the form of short-term share awards, or 50% in short-term share awards and 50% in cash
- All deferrals in the form of short-term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being 12 months, with the exception of risk managers, for which it is six months.

Malus and clawback within the Specialist Bank

Employees who leave the employment of the Specialist Bank prior to the vesting of deferred incentive awards will lose their deferred bonus forfeitable shares other than as a result of retirement, subject to the Bank's normal good leaver provisions and approval process in exceptional cases.

The deferred share and cash awards for MRTs are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested awards will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or business unit suffers a material failure of risk management
- Other relevant events.

In these cases, management and the IBP Remuneration Committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the Specialist Bank or business unit
- Any violation of the Bank's culture and values
- The long-term impact of the outcome on the Bank or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for short-term share awards, where profits which were used to determine the original bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration will be given to malus and/or clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards

The Specialist Bank has a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholder and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the IBP Remuneration Committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association Principles of Remuneration. These awards comprise two elements, namely:

- 'New starter' awards may be awarded on a discretionary basis to new starters and are generally linked to salary levels
- 'General allocation' awards are similar to new starter awards and may be awarded on a discretionary basis to employees who have not had any other share award for a number of years
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the DLC Share Incentive Executive Committee and the IBP Remuneration Committee before being awarded.

Forfeitable shares for non-Material Risk Takers are subject to one-third vesting after approximately three, four and five years, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and vest over a period of two to four years, or three to seven years, as determined by regulatory requirements. Such LTIP awards are then subject to a 12-month retention period, with the exception of risk managers, for which it is six months. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

REMUNERATION REPORT
CONTINUED

For further information on the share option and long-term share incentive plans in operation and in which the directors are eligible to participate, refer to the Investec Group's 2023 Remuneration Report.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guaranteed awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the Specialist Bank unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The IBP Remuneration Committee, or the Chair on behalf of the Committee, is required to pre-approve individual remuneration packages (including new joiner, retention and severance remuneration) for the following:

- IBP Executive Directors, in consultation with the DLC Remuneration Committee
- IBP PDMRs
- IBP Senior Managers as defined under the Senior Management and Certification Regime (SMCR).

All other forms of guaranteed remuneration above pre-determined thresholds are reported to the IBP and DLC Remuneration Committees.

Retention awards

The Specialist Bank only pays retention awards to serving staff in exceptional circumstances. In all such cases, the People & Organisation and Reward functions shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for MRTs, the IBP Remuneration Committee shall review and approve all proposed awards. Circumstances where the Bank will consider making retention awards include the case of a major restructuring of the Group or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), or where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented to the IBP Remuneration Committee in order for a retention award to be approved. It is required that the PRA be notified prior to a retention award being made to an MRT, and their guidance sought on the appropriateness of retention awards for certain other individuals.

Severance awards

Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for MRTs in the Specialist Bank are subject to all necessary regulatory requirements, and approval by the IBP Remuneration Committee.

Other remuneration structures

On occasion, the Specialist Bank may utilise other remuneration structures which are not mentioned above, in certain pre-agreed circumstances such as are required by our clients or market practice.

Discretionary extended pension benefits policy

Extended pension payments are very rarely made and any such proposed payments to employees upon reaching retirement are required to be reviewed and approved by the IBP Remuneration Committee for alignment with appropriate laws, policy and regulation.

Governance

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended), the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code and Pillar III disclosure requirements.

Scope of our remuneration policy

The Specialist Bank aims to apply remuneration policies to Executive Directors and employees that are largely consistent across the Bank, but recognises that certain parts of the Bank are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the Specialist Bank. This is relevant to Investec Bank plc and its subsidiary companies that are subject to the PRA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to MRTs. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

IW&I is separately regulated by the FCA and as such maintains its own remuneration policy, separate to the Bank policy, in line with the FCA MIFIDPRU Remuneration Code and the entity's own risk profile and business activities.

REMUNERATION REPORT
CONTINUED

Directors' emoluments (audited)

	2023	2022
Aggregated emoluments (excluding pension contributions)	9 276	6 800
Contributions to defined contribution scheme	112	102
	9 388	**6 902**
Number of directors in defined contribution scheme	4	3
Number of directors in closed defined benefits scheme	—	—

Included in aggregate Director emoluments for the current year are performance awards to IBP Executive and Non-Executive Directors. Performance awards comprise £564 996 in upfront cash, £1 525 126 in upfront shares (vesting immediately and subject to 12 months' retention thereafter), £607 644 in deferred cash (vesting equally over three to seven years, subject to regulatory requirements), and £1 695 538 in deferred short-term share awards (vesting equally over three to seven years, subject to regulatory requirements).

Fani Titi was the highest paid director. Emoluments of the highest paid director were £3 115 083 (2022: £2 703 147) excluding £34 308 of pension contribution to the defined contribution scheme, emoluments disclosed for Fani Titi is for services rendered as the Executive Director of Investec Group. The performance awards of the highest paid director comprise £0 in upfront cash, £960 130 in upfront shares (vesting immediately and subject to 12 months' retention thereafter) and £608 194 in deferred short-term share awards (vesting over four to seven years). The emoluments exclude long-term incentives with vesting subject to achievement against future performance conditions.

All four Executive Directors exercised share options during the financial year, this includes Fani Titi as the highest paid director. Fani Titi was granted shares in respect of qualifying services under a long term incentive scheme. Please refer to the Investec Group Remuneration Report for further details.

PRA Remuneration Code quantitative disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation, the Specialist Bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the Specialist Bank's risk profile. A total of 56 individuals were Material Risk Takers at 31 March 2023.

The bank's qualitative remuneration disclosures are provided on pages 95 to 100 and further information is provided in the Investec Group's 2023 Remuneration Report.

The information contained in the tables below sets out the Specialist Bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2023.

Aggregate remuneration of Material Risk Takers:

	Management Body remuneration			Business Areas					
£'million	MB Supervisory Function	MB Management Function	Total MB	Investment Banking	Retail Banking[1]	Corporate Functions	Independent Control Functions	All Other	Total
Total number of identified staff									57
– Of which: members of the management body	13	7	20						
– Of which: other senior management				4	—	3	—	2	
– Of which: other identified staff				10	2	8	7	1	
Total remuneration of identified staff	2.5	16.3	18.8	19.4	2.7	8.1	4.9	3.2	
– Of which: variable remuneration	—	10.7	10.7	11.5	1.7	4.5	2.6	1.8	
– Of which: fixed remuneration	2.5	5.6	8.1	7.9	1.0	3.6	2.3	1.4	

1. Refers to Private Client division

REMUNERATION REPORT
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Aggregate remuneration by remuneration type awarded during the financial year:

£'million	MB Supervisory Function	MB Management Function	Other Senior Management	Other Identified Staff
Fixed remuneration				
Number of Identified Staff	13	7	9	28
Total Fixed Remuneration				
– Of which cash based	2.5	5.6	4.6	11.6
– Of which shares	—	—	—	—
Variable remuneration				
Number of identified staff	—	7	9	27
Total variable remuneration				
– Upfront cash	—	0.6	1.4	3.3
– Deferred cash	—	0.6	1.1	2.3
– Upfront shares	—	3.7	1.4	3.3
– Deferred shares	—	3.1	2.4	5.9
– Deferred shares – long-term incentive awards**	—	2.7	0.6	0.2
Total remuneration (£'million)	**2.5**	**16.3**	**11.5**	**26.6**

** Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period from two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a 6 or 12 month retention period after vesting.

Material Risk Takers who received £800,000 or more in the financial year:

	Number of Material Risk Takers
£800 000 – £1 200 000	6
£1 200 001 – £1 600 000	10
£1 600 001 – £2 000 000	2
£2 000 001 – £2 400 000	5
£2 400 001 – £2 800 000	3
£2 800 001 – £3 200 000	—
£3 200 001 – £3 600 000	1
£3 600 001 – £4 000 000	—
£4 000 001 – £4 400 000	—
£4 400 001 – £4 800 000	—
£4 800 001 – £5 200 000	—
> £5 200 001	—

REMUNERATION REPORT
CONTINUED

Deferred remuneration by Material Risk Taker Category:

£'million	Total amount awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments*	Total amount awarded before the financial year actually paid out in the financial year	Total of amount awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory Function								
– Cash	—	—	—	—	—	—	—	—
– Shares	—	—	—	—	—	—	—	—
MB Management Function								
– Cash	0.7	0.2	0.5	—	—	—	0.2	—
– Shares	23.2	2.1	21.1	—	1.0	—	2.1	2.1
Other Senior Management								
– Cash	1.5	0.2	1.3	—	—	—	0.2	—
– Shares	5.5	1.2	4.3	—	0.1	—	1.2	1.2
Other Identified Staff								
– Cash	2.3	0.3	2.0	—	—	—	0.3	—
– Shares	17.2	3.4	13.8	—	0.1	—	3.4	3.4
Total amount	**50.4**	**7.4**	**43.0**	**—**	**1.2**	**—**	**7.4**	**6.7**

* i.e. changes of value of deferred remuneration due to the changes of prices of instruments.

Special payments to Material Risk Takers:

£'million	MB Supervisory Function	MB Management Function	Other Senior Management	Other Identified Staff	Total
Guaranteed bonuses					
Number of Identified Staff	—	—	—	—	—
Total Amount	—	—	—	—	—
– Of which paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year					
Number of Identified Staff	—	—	—	—	—
Total Amount	—	—	—	—	—
Severance payments awarded during the financial year					
Number of Identified Staff	—	—	1.0	3.0	**4.0**
Total Amount	—	—	0.1	0.5	**0.6**
– Of which paid during the financial year	—	—	0.1	0.5	**0.6**
– Of which deferred	—	—	—	—	—
– Of which paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—	—
– Of which highest payment that has been awarded to a single person	—	—	—	—	—

REMUNERATION REPORT
CONTINUED

Key Management Personnel (audited)

Details of directors' remuneration and interest in shares are disclosed on pages 159-162.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation.

Compensation of key management personnel	2023 £'000	2022 £'000
Short-term employee benefits	23 356	17 568
Other long-term employee benefits	2 704	3 950
Share-based payments	3 385	2 941
Total	**29 445**	**24 459**

Shareholdings, options and other securities of key management personnel

	2023 £'000	2022 £'000
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	8 157	6 593

	2023 £'000	2022 £'000
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	3 890	3 693

We have defined key management personnel as the Executive Directors of Investec Bank plc plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Mark Currie (Investec Group Chief Risk Officer), Lesley-Anne Gatter (Investec Group Head of People & Organisation), Iain Hooley[1] (Acting Chief Executive - IW&I UK) , Marc Kahn (Investec Group Chief Strategy Officer), Barbara-Ann King[2] (Former Chief Executive - IW&I UK), Abey Mokgwatsane (Investec Group Chief Marketing Officer), Nishlan Samujh (Investec Group Finance Director), Stuart Spencer (Investec Group Chief Operations Officer) and Lyndon Subroyen (Investec Group Head of Digital & Technology), Richard Wainwright (Investec Group Executive Director) and Ciaran Whelan (Investec Group Executive Director).

1. Iain Hooley appointed Acting Chief Executive of IW&I UK 30 January 2023, pending PDMR regulatory approval.
2. Barbara-Ann King was appointed IW&I UK Chief Executive and PDMR 1 October 2022, stepped down 15 February 2023.

Annual financial statements

05

IN THIS SECTION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC

Opinion

In our opinion:

- Investec Bank plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Investec Bank plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 March 2023	Balance sheet as at 31 March 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 8, 9,13-31, 33-40, 42-48, 51-52 and 67 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 55 to the financial statements, including a summary of significant accounting policies	
Related risk and capital management notes 56, 57 and 62 excluding information marked as "unaudited" and the information in note 63 marked as "audited".	
Information identified as 'audited' in the annual report on remuneration in section four	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and; as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Conclusions relating to going concern

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

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

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

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

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

Overview of our audit approach	
Audit Scope	• We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further component. • The components where we performed full or specific audit procedures accounted for 99% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("operating profit"), 98% of total operating income before expected credit loss impairment charges ("revenue") and 99% of total assets.
Key Audit Matters	• Adequacy of the provision for expected credit losses on loans and advances to customers; • Valuation of financial instruments with higher risk characteristics and associated income; • Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and related potential civil and tax claims; and • IT systems and controls impacting financial reporting.
Materiality	• We applied Group materiality of £20.4 million which represents 5% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("operating profit").

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

An overview of the scope of the Parent and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls, and other factors such as changes in the business environment when assessing the level of work to be performed at each company.

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

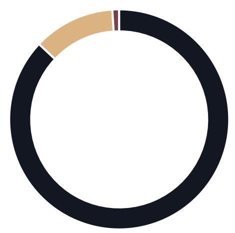
Component	Scoping
Investec Bank plc*	Full
Investec Wealth and Investment Limited	Full
Investec Bank (Channel Islands) Limited	Specific

* This component consists of Investec Bank plc, the Parent Company along with all the consolidation adjustments and other material balances relating to UK and Australian subsidiaries of Investec Bank plc which are also signed off by the senior statutory auditor.

The reporting components where we performed audit procedures accounted for 99% (2022: 99%) of the Group's operating profit, 98% (2022: 98%) of the Group's revenue and 99% (2022: 98%) of the Group's total assets. For the current year, the full scope components contributed 87% (2022: 94%) of the Group's operating profit, 93% (2022: 94%) of the Group's revenue and 89% (2022: 88%) of the Group's total assets. The specific scope component contributed 12% (2022: 5%) of the Group's operating profit, 5% (2022: 4%) of the Group's revenue and 10% (2022: 10%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. The remaining components represent 1% (2022: 1%) of the Group's operating profit and for these components, we performed other procedures, including analytical review, review scope components and ensuring journals for these components were included in the population from which we selected journals to test in order to respond to potential risks of material misstatement to the Group financial statements.

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

Operating profit

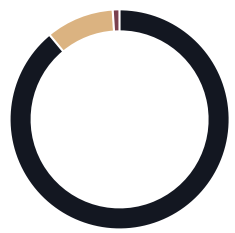


Full scope components	87%
Specific scope components	12%
Other procedures	1%

Revenue

Full scope components	93%
Specific scope components	5%
Other procedures	2%

Total Assets



Full scope components	89%
Specific scope components	10%
Other procedures	1%

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Changes from the prior year

Due to the way Investec Holdings Australia Pty Limited is now managed by the entity the component has moved from a specific scope audit in the prior year to one covered within the scope of the Investec Bank plc component.

Involvement with component teams

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

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

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

Climate change

Stakeholders are increasingly interested in how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on their operations will be from credit risk, operational risk, conduct risk, regulatory risk and reputational risk. These are explained in Note 58 ESG risk and Note 59 Climate, nature and biodiversity risk, on pages 252 to 253 in the Task Force for Climate related Financial Disclosures and on page 46 in the principal risks. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Accounting Policies note, how they have reflected the impact of climate change in their financial statements and the significant judgements and estimates relating to climate change. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of climate risks disclosed in the key management assumptions disclosed in the Accounting Policy note and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures, and in the timing and nature of liabilities recognised. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have considered the impact of climate change on the financial statements to impact certain key audit matters. Details of our procedures and findings are included in our explanation of key audit matters below, where relevant.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Adequacy of the provision for expected credit losses on loans and advances to customers</td></tr>
<tr><td>
Refer to the Audit Committee Report (page 76); Accounting policies (page 131-135, 138); and Note 26 of the Consolidated Financial Statements (page 188)

The determination of the provision for expected credit losses ('ECL') is highly subjective. The subjectivity relates to the current uncertain geopolitical and economic outlook and the impact of climate change which were considered in our risk assessment.

At year-end the Group reported gross loans and advances to customers subject to expected credit losses of £15,158 million (2022: £13,948 million); expected credit losses on loans and advances to customers at amortised cost of £140 million (2022: £130 million); and expected credit loss impairment charges of £66 million (2021: £25 million).

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

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

The level of risk has remained consistent with the prior year.
</td><td>
To address the risks we performed the following key procedures, amongst others:

Staging/assessment of significant increase in credit risk
We assessed the design and tested the operating effectiveness of key controls focusing on the following:
• assessment and approval of a significant increase or reduction in credit risk and monitoring of asset in each stage;
• assessment of manual overrides to staging outcomes; and
• data accuracy and completeness.

We recalculated the assets in stages 1, 2 and 3 to assess if they were allocated to the appropriate stage and performed sensitivity analysis to assess the impact of different staging criteria and ECL.

Multiple economic scenarios
We assessed the design and tested the operating effectiveness of key controls focusing on management's review and approval of the base case scenario, the methodology and output of alternative scenarios, including the probability weights assigned.

We involved economists to assist us to assess the base case and alternative scenarios generated, including the probability weights applied to each scenario. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data. This assessment included developments related to the current uncertain geopolitical and economic outlook.

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

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

We performed a risk assessment on all models involved in the ECL calculation to select a sample of models to test. We involved EY modelling specialists to assist us to test this sample of ECL models by testing the assumptions, inputs and formulae used.

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

To evaluate data quality, we agreed a sample of ECL calculation data points to source systems.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC CONTINUED

Risk	Our response to the risk
Adequacy of the provision for expected credit losses on loans and advances to customers (continued)	
	Post model adjustments We obtained an understanding of the model limitations to evaluate the completeness and appropriateness of the related adjustments. We determined an independent range of adjustments based on our understanding of the models and the current economic environment to compare against management's estimate. We assessed the governance processes that the Group has put in place to review and approve post model adjustments. **Individually assessed provisions** We selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retailers and wholesalers, leisure, entertainment and tourism, construction and corporate commercial real estate. For each sample selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered management's potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any significant differences arising. **Overall stand-back assessment** We performed a stand-back assessment of the ECL provision and coverage at an overall level and by stage to determine if provision levels were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, the impacts of the current economic conditions and geopolitical factors, and climate change on the Group's customers. We performed peer benchmarking where available to assess overall staging and provision coverage levels. We evaluated the adequacy of disclosures in the financial statement considering the accounting standards including the assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures.

The audit work was performed centrally by the Group audit team supported by relevant component audit teams, as required. We have performed audit work over 100% of the ECL.

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

We highlighted the following matters to the Audit Committee:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC CONTINUED

Risk	Our response to the risk
Valuation of fair value instruments with higher risk characteristics and associated income	
Refer to the Audit Committee Report (page 76); Accounting policies (page 131, 137-138); and Note 14 of the Consolidated Financial Statements (page 162). As at 31 March 2023, the Group held fair value financial instruments; assets of £4,407 million and liabilities of £842 million (2022: assets £4,651 million and liabilities £1,048 million). This included certain level 2 and level 3 assets and liabilities with higher risk characteristics whose values are dependent upon unobservable inputs, where management's significant judgement is applied. The valuation of those financial instruments with higher risk characteristics can include significant judgement and therefore the risk of inappropriate revenue recognition through incorrect valuation, as outlined below exists. The judgement in estimating the fair value of these instruments can involve complex valuation models or techniques and/or significant fair value adjustments; both of which may be reliant on inputs where there is limited market observability or liquidity. The estimation of the fair value is also subject to the current uncertain geopolitical and economic outlook and the impact of climate change. Management's estimates which required significant judgement included: • **Complex models** – complex model-dependent derivatives and debt securities, which include structured equity derivatives with exotic features; • **Valuation techniques** – illiquid investments in, and fair valued loans to, unquoted private companies valued using different valuation techniques (e.g. price-earnings multiples, discounted cash flow, net asset valuations); • **Illiquid inputs** – pricing inputs, calibrations and discounts for illiquid instruments, which include securities, unlisted equity investments and profit shares, and fair valued loans referencing the corporate, aviation and property sectors. The level of risk has remained consistent with the prior year.	We obtained an understanding of management's processes and tested the design effectiveness of controls relating to financial instrument valuation and related income statement measurement. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument valuation pricing sources and methodology assumptions. We considered the impact of the current uncertain geopolitical and economic outlook throughout the procedures performed on the higher risk characteristic financial instruments by challenging whether the valuation methodologies and assumptions used remained appropriate. Throughout our audit procedures, we considered the impact of climate change on the valuation of financial instruments. **Complex models** We involved valuation and modelling specialists, where appropriate, to assist in testing complex model-dependent valuations for derivatives, fair value loans and debt securities by performing independent revaluation, on a sample basis, to assess the appropriateness of models and the adequacy of assumptions and inputs used. We performed a search for potential contrary evidence by assessing trends in trading P&L and counterparty valuation differences. **Valuation techniques** We performed procedures on key judgments made by management in the calculation of fair value of a sample of illiquid unlisted investments, fair value loans and profit-sharing arrangements, including: • assessing the suitability and completeness of the comparable companies used in the calculation of the earnings multiples in price-earnings multiple valuations; • performing calculations to assess the appropriateness of discount rates used in discounted cash flow valuations, with reference to relevant industry and market data; • assessing external valuation reports received by management, where an external valuer has been engaged, and assessing their competence and objectivity in valuations which reference a net asset valuation; and • confirming that the accuracy of information provided by management was free from manipulation or amendment, including management accounts and reporting, unaudited financial information, and market pricing sources. • assessing the appropriateness of any significant illiquidity or other uncertainty adjustments applied by management; and • performed independent valuation estimates for a sample of financial instruments and compared them to managements estimate. **Illiquid inputs** We performed procedures on key judgments made by management on inputs used in the valuation a sample of unlisted equity investments, illiquid securities, fair value corporate, aviation and property loans and unlisted investment portfolios, including: • for unlisted equity investments and illiquid securities, independently re-pricing instruments that had been valued using illiquid pricing inputs, using alternative pricing sources, where available, to evaluate management's valuation; and • for the fair value corporate, aviation and property loans and unlisted investment portfolios: we involved aircraft, real estate, and business valuation specialists to independently assess the valuations of a sample of positions. Our analyses considered the range of acceptable fair values taking account of other qualitative risk factors, such as company specific risk factors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC CONTINUED

Risk	Our response to the risk
Valuation of fair value instruments with higher risk characteristics and associated income (continued)	
	For all positions, we compared our determined ranges and estimates to management's fair values. We assessed the appropriateness of the disclosures in the consolidated financial statements in accordance with IFRS 13.
We performed full audit procedures over this risk area for two components, which covered 100% (2022: 100%) of the risk amount.	
Key observations communicated to the Audit Committee We are satisfied that the assumptions used by management to reflect the fair value of financial instruments with higher risk characteristics and the recognition of related income are reasonable and in accordance with IFRS. We highlighted the following matters to the Audit Committee: • Complex-model dependent valuations and techniques were appropriate based on the output of our independent re-valuations, including the analysis of any trade activity during the year, peer benchmarking, and counterparty valuation differences; • For the valuation of fair value instruments with higher risk characteristics judgemental differences both increasing and decreasing valuation levels were identified; however, none of these individually or in aggregate were material to the financial statements.	
Adequacy of the provision held and disclosure relating to the investigation by the Office of the Public Prosecutor in Cologne and related civil proceedings	
Refer to the Audit Committee Report (page 77); Accounting policies (page 138); and Note 45 of the Consolidated Financial Statements (page 205) There are ongoing investigations into historical German dividend tax arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Formal claims have also been made by the German Federal Tax Office in Bonn related to reclaims of tax related to the dividend tax arbitrage transactions. Further, whilst the Group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the Group in the future. Consequently, management made judgements about the adequacy of provisions which are subject to change in future periods as more information becomes available. Management have also assessed the need to disclose these matters as contingent liabilities. The level of risk has remained consistent with the prior year.	We examined the latest court rulings impacting other participants in cum-ex activity and analysis performed by management which set out the basis for the judgements in relation to the historical German dividend tax arbitrage transactions, federal tax claim and related provision. We also inspected the correspondence between the Group and its external legal advisors, between the Group and Office of the Public Prosecutor in Cologne, and between the Group and the German Federal Tax Office in Bonn. In addition, we obtained legal confirmations from, and spoke directly with, the Group's external legal counsels to confirm the current status of the matters. We have obtained and evaluated the minutes of internal committees overseeing management's response to the matters. With the assistance of Tax specialists, we have considered the matters in dispute and made comparisons with externally available information to challenge management's assessment. We also evaluated the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne, claims by the German Federal Tax Office in Bonn, and the potential related civil claims.
We performed full scope audit procedures over this risk area in the component impacted by the risk.	
Key observations communicated to the Audit Committee Based on the information that is currently available we are satisfied with management's assessment, calculation and recognition of the provision for historical German dividend tax arbitrage transactions, the federal tax claim and related potential civil claims. We are also satisfied with the adequacy of the disclosure presented in the financial statements for these matters.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC CONTINUED

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £20.4 million (2022: £14.4 million), which is 5% (2022: 5%) of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("operating profit") (£408.8 million). We believe that operating profit provides us with the most appropriate measure to reflect the performance of the Group, as this is also the level at which management considers the financial performance of the Group when reporting externally in profit announcements and pre-close meetings with market analysts and shareholders.

We determined materiality for the Parent Company to be £10.5 million (2022: £9.7 million), which is 0.50% (2022: 0.50%) of distributable equity. There has been no change in the basis from the prior year.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £10.2 million (2022: £7.2 million). We have set performance materiality at this percentage based on our understanding of the Group and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.0 million to £5.6 million (2022: £1.4 million to £4.8 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.0 million (2022: £0.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report including the strategic report (operations and strategic overview set out on pages 2 to 20 and financial review set out on pages 21 to 37), risk management and governance (set out on pages 38 to 89), remuneration report (set out on pages 90 to 104), directors' report (set out on pages 86 to 89), alternative performance measures (set out on page 276), Definitions (set out on page 277), Glossary (set out on page 278 to 279), credit ratings (set out on page 280) and corporate Information (set out on page 281), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the Group and Parent Company's prospects, the period this assessment covers and why the period is appropriate;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and;
- The section describing the work of the audit committee.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 89, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and IFRS), the Companies Act 2006 and the UK Corporate Governance Code, the FCA Listing Rules, regulations and supervisory requirements of the PRA, FRC, FCA and other overseas regulatory requirements, and the relevant tax compliance regulations in the jurisdictions in which the Group operates.
- We understood how the Group and Parent are complying with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and Parent Company and UK regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk and Capital Committee; and gained an understanding of the Group and Parent Company's approach to governance.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inspecting correspondence with the PRA and FCA.
- The Group and Parent Company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and Parent Company has established to address risks identified by the Group and Parent Company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we tested journal entries using a risk based approach analysing the general ledger data, with the focus on nonstandard journals.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Group on 8 November 1996 to audit the financial statements for the year ending 31 March 1997 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 27 years, covering the years ending 31 March 1997 to 31 March 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Ernst & Young LLP

Chris Brouard (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 June 2023

CONSOLIDATED INCOME STATEMENT

For the year to 31 March **£'000**	Notes	**2023**	2022
Interest income	2	1 445 322	719 538
Interest income calculated using effective interest method		1 117 078	619 498
Other interest income		328 244	100 040
Interest expense	2	(696 297)	(223 230)
Net interest income		**749 025**	**496 308**
Fee and commission income	3	456 215	508 929
Fee and commission expense	3	(15 372)	(14 697)
Investment income	4	5 003	10 579
Share of post-taxation profit of associates and joint venture holdings	28	660	1 988
Trading income/(loss) arising from			
– customer flow		87 366	60 372
– balance sheet management and other trading activities		13 060	(1 305)
Other operating income	5	12 620	11 158
Total operating income before expected credit loss impairment charges		**1 308 577**	**1 073 332**
Expected credit loss impairment charges	6	(66 740)	(25 363)
Operating income		**1 241 837**	**1 047 969**
Operating costs	7	(833 061)	(760 286)
Operating profit before goodwill, acquired intangibles and strategic actions		**408 776**	**287 683**
Impairment of goodwill	32	(805)	—
Amortisation of acquired intangibles	33	(12 625)	(12 936)
Closure and rundown of the Hong Kong direct investments business		(480)	(1 203)
Profit before taxation		**394 866**	**273 544**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(83 288)	(42 174)
Taxation on goodwill, acquired intangibles and strategic actions	10	2 031	1 511
Profit after taxation		**313 609**	**232 881**
Loss attributable to non-controlling interests		—	—
Earnings attributable to shareholder		**313 609**	**232 881**

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2023	2022
Profit after taxation		**313 609**	**232 881**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Fair value movements on cash flow hedges taken directly to other comprehensive income		27 635	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	10	(313)	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	10	217	(2 276)
Foreign currency adjustments on translating foreign operations		5 615	5 401
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	10	(7)	617
Items that will not be reclassified to the income statement:			
Gains attributable to own credit risk*		—	11 059
Movement in post-retirement benefit liabilities		75	40
Total comprehensive income		**346 831**	**247 415**
Total comprehensive loss attributable to non-controlling interests		—	—
Total comprehensive income attributable to ordinary shareholder		329 956	230 540
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities		16 875	16 875
Total comprehensive income		**346 831**	**247 415**

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

BALANCE SHEETS

		Group	
At 31 March £'000	Notes	**2023**	2022
Assets			
Cash and balances at central banks	17	5 400 401	5 379 994
Loans and advances to banks	18	892 791	1 467 039
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 338 699	1 447 473
Sovereign debt securities	20	1 221 744	1 165 777
Bank debt securities	21	204 691	61 714
Other debt securities	22	697 275	437 649
Derivative financial instruments	23	680 262	717 457
Securities arising from trading activities	24	127 537	163 165
Investment portfolio	25	311 618	333 221
Loans and advances to customers	26	15 567 809	14 426 475
Other loans and advances	26	172 087	147 025
Other securitised assets	27	78 231	93 087
Interests in associated undertakings and joint venture holdings	28	10 851	11 444
Deferred taxation assets	29	111 513	109 542
Current taxation assets		9 890	15 727
Other assets	30	993 385	1 161 549
Property and equipment	31	121 014	155 055
Goodwill	32	249 503	244 072
Software	33	9 415	7 066
Other acquired intangible assets	33	43 887	44 145
		28 242 603	**27 588 676**
Liabilities			
Deposits by banks		2 172 170	2 026 573
Derivative financial instruments	23	704 816	863 295
Other trading liabilities	35	28 184	42 944
Repurchase agreements and cash collateral on securities lent	19	139 529	154 828
Customer accounts (deposits)		19 251 399	18 616 233
Debt securities in issue	36	1 140 879	1 120 841
Liabilities arising on securitisation of other assets	27	81 609	95 885
Current taxation liabilities		4 813	2 082
Other liabilities	37	1 198 267	1 360 071
		24 721 666	**24 282 752**
Subordinated liabilities	38	731 483	758 739
		25 453 149	**25 041 491**
Equity			
Ordinary share capital	39	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		34 814	1 667
Retained income		870 424	661 420
Shareholder's equity excluding non-controlling interests		**2 538 503**	**2 296 352**
Additional Tier 1 securities in issue	40	250 000	250 000
Non-controlling interests in partially held subsidiaries	41	951	833
Total equity		**2 789 454**	**2 547 185**
Total liabilities and equity		**28 242 603**	**27 588 676**

Ruth Leas
Chief Executive
27 June 2023

BALANCE SHEETS
CONTINUED

At 31 March £'000	Notes	Company 2023	Company 2022
Assets			
Cash and balances at central banks	17	5 380 346	5 326 533
Loans and advances to banks	18	237 897	535 738
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 338 699	1 447 473
Sovereign debt securities	20	372 741	323 494
Bank debt securities	21	200 590	57 844
Other debt securities	22	1 404 253	1 144 024
Derivative financial instruments	23	625 897	672 124
Securities arising from trading activities	24	127 537	163 165
Investment portfolio	25	46 534	70 229
Loans and advances to customers	26	11 827 489	10 930 443
Other loans and advances	26	3 199 833	3 027 162
Other securitised assets	27	4 005	5 083
Interests in associated undertakings and joint venture holdings	28	2 301	2 167
Deferred taxation assets	29	59 833	70 214
Current taxation assets		36 006	28 997
Other assets	30	446 286	615 033
Property and equipment	31	58 577	70 514
Software	33	238	34
Investment in subsidiaries	53	872 829	827 599
		26 241 891	**25 317 870**
Liabilities			
Deposits by banks		2 524 081	2 214 555
Derivative financial instruments	23	665 600	828 405
Other trading liabilities	35	28 184	42 944
Repurchase agreements and cash collateral on securities lent	19	289 529	197 903
Customer accounts (deposits)		17 953 810	17 290 014
Debt securities in issue	36	1 139 696	1 119 658
Other liabilities	37	564 441	676 409
		23 165 341	**22 369 888**
Subordinated liabilities	38	731 483	758 739
		23 896 824	**23 128 627**
Equity			
Ordinary share capital	39	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		24 904	(2 901)
Retained income		436 898	308 879
Shareholder's equity excluding non-controlling interests		**2 095 067**	**1 939 243**
Additional Tier 1 securities in issue	40	250 000	250 000
Total equity		**2 345 067**	**2 189 243**
Total liabilities and equity		**26 241 891**	**25 317 870**

The Company's profit for the year, determined in accordance with the Companies Act 2006, was £234.7 million (2022: £240.1 million).

Ruth Leas

Chief Executive

27 June 2023

CASH FLOW STATEMENTS

For the year to 31 March £'000	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Profit before taxation adjusted for non-cash items	43	509 014	350 162	298 709	178 254
Taxation paid		(74 998)	(53 294)	(55 652)	(17 732)
Dividends received from subsidiaries		—	—	88 873	147 848
Increase in operating assets	43	(1 268 534)	(823 132)	(1 165 730)	(424 376)
Increase in operating liabilities	43	435 513	3 076 202	768 779	2 608 741
Net cash (outflow)/inflow from operating activities		**(399 005)**	**2 549 938**	**(65 021)**	**2 492 735**
Cash flow on acquisition of Group operations and subsidiaries, net of cash acquired		(9 720)	—	—	(21 984)
Cash flow on disposal of Group operations and subsidiaries		12	14 274	—	3 016
Derecognition of cash on disposal of subsidiaries		—	(4 152)	—	—
Cash flow on net disposal of non-controlling interest		118	443	—	—
Cash flow on net disposal/(acquisition) of associates and joint venture holdings		565	(8 780)	—	—
Cash flow on acquisition of property, equipment, software and other intangible assets		(11 712)	(4 931)	(1 973)	(1 573)
Cash flow on disposal of property, equipment, software and other intangible assets		23 975	4 273	—	(677)
Injection of capital to subsidiary		—	—	(75 795)	—
Return of capital by subsidiary		—	—	5 676	24 280
Net cash inflow/(outflow) from investing activities		**3 238**	**1 127**	**(72 092)**	**3 062**
Dividends paid to ordinary shareholder		(95 000)	(56 500)	(95 000)	(56 500)
Dividends paid to other equity holders		(16 875)	(16 875)	(16 875)	(16 875)
Proceeds from issue of subordinated debt		345 590	347 536	345 590	347 536
Redemption of subordinated debt		(347 925)	(307 962)	(347 925)	(307 962)
Lease liabilities paid		(44 089)	(43 253)	(7 518)	(8 375)
Net cash outflow from financing activities		**(158 299)**	**(77 054)**	**(121 728)**	**(42 176)**
Effects of exchange rate changes on cash and cash equivalents		**773**	**(607)**	**—**	**(279)**
Net (decrease)/increase in cash and cash equivalents		**(553 293)**	**2 473 404**	**(258 841)**	**2 453 342**
Cash and cash equivalents at the beginning of the year		6 841 039	4 367 635	5 856 277	3 402 935
Cash and cash equivalents at the end of the year		**6 287 746**	**6 841 039**	**5 597 436**	**5 856 277**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		5 400 401	5 379 994	5 380 346	5 326 533
On demand loans and advances to banks		887 345	1 461 045	217 090	529 744
Cash and cash equivalents at the end of the year		**6 287 746**	**6 841 039**	**5 597 436**	**5 856 277**

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

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

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY CONTINUED

£'000	Ordinary share capital	Share premium	Capital reserve account	Other reserves: Fair value reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign currency reserves	Other reserves: Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
Group												
At 1 April 2021	**1 280 550**	**199 538**	**153 177**	**3 043**	**—**	**(4 147)**	**(11 723)**	**494 092**	**2 114 530**	**250 000**	**390**	**2 364 920**
Movement in reserves 1 April 2021 – 31 March 2022												
Profit after taxation	—	—	—	—	—	—	—	232 881	232 881	—	—	232 881
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(47)	—	—	664	—	617	—	—	617
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(307)	—	—	—	—	(307)	—	—	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	(2 276)	—	—	—	—	(2 276)	—	—	(2 276)
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	5 401	—	—	5 401	—	—	5 401
Gains attributable to own credit risk	—	—	—	—	—	—	11 059	—	11 059	—	—	11 059
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	—	40	40	—	—	40
Total comprehensive income for the year	**—**	**—**	**—**	**(2 630)**	**—**	**5 401**	**11 723**	**232 921**	**247 415**	**—**	**—**	**247 415**
Share-based payments adjustments	—	—	—	—	—	—	—	3 637	3 637	—	—	3 637
Employee benefit liability recognised	—	—	—	—	—	—	—	4 145	4 145	—	—	4 145
Dividends paid to ordinary shareholder	—	—	—	—	—	—	—	(56 500)	(56 500)	—	—	(56 500)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	(16 875)	—	(16 875)
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	—	—	—	—	443	443
At 31 March 2022	**1 280 550**	**199 538**	**153 177**	**413**	**—**	**1 254**	**—**	**661 420**	**2 296 352**	**250 000**	**833**	**2 547 185**
Movement in reserves 1 April 2022 – 31 March 2023					—							
Profit after taxation	—	—	—	—	—	—	—	313 609	313 609	—	—	313 609
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(7)	—	—	—	—	(7)	—	—	(7)
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(313)	—	—	—	—	(313)	—	—	(313)
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—	—	27 635	—	—	—	27 635	—	—	27 635
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	217	—	—	—	—	217	—	—	217
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	5 615	—	—	5 615	—	—	5 615
Movement in post-retirement benefit liabilities	—	—	—	—	—	—	—	75	75	—	—	75
Total comprehensive income for the year	**—**	**—**	**—**	**(103)**	**27 635**	**5 615**	**—**	**313 684**	**346 831**	**—**	**—**	**346 831**
Share-based payments adjustments	—	—	—	—	—	—	—	(295)	(295)	—	—	(295)
Employee benefit liability recognised	—	—	—	—	—	—	—	7 490	7 490	—	—	7 490
Dividends paid to ordinary shareholder	—	—	—	—	—	—	—	(95 000)	(95 000)	—	—	(95 000)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	(16 875)	—	(16 875)
Net equity impact of non-controlling interest movements	—	—	—	—	—	—	—	—	—	—	118	118
At 31 March 2023	**1 280 550**	**199 538**	**153 177**	**310**	**27 635**	**6 869**	**—**	**870 424**	**2 538 503**	**250 000**	**951**	**2 789 454**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

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STATEMENT OF CHANGES IN EQUITY
CONTINUED

				Other reserves							
£'000	Ordinary share capital	Share premium	Capital reserve account	Fair value reserve	Cash flow hedge reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	**Total equity**
Company											
At 1 April 2021	**1 280 550**	**199 538**	**153 177**	**3 489**	**—**	**(4 681)**	**(11 723)**	**135 605**	**1 755 955**	**250 000**	**2 005 955**
Movement in reserves 1 April 2021 – 31 March 2022											
Profit after taxation	—	—	—	—	—	—	—	240 131	240 131	—	240 131
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(47)	—	—	664	—	617	—	617
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(329)	—	—	—	—	(329)	—	(329)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	(1 365)	—	—	—	—	(1 365)	—	(1 365)
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	32	—	—	32	—	32
Gains attributable to own credit risk	—	—	—	—	—	—	11 059	—	11 059	—	11 059
Total comprehensive income for the year	**—**	**—**	**—**	**(1 741)**	**—**	**32**	**11 723**	**240 131**	**250 145**	**—**	**250 145**
Share-based payments adjustments	—	—	—	—	—	—	—	3 477	3 477	—	3 477
Employee benefit liability recognised	—	—	—	—	—	—	—	3 041	3 041	—	3 041
Dividends paid to ordinary shareholder	—	—	—	—	—	—	—	(56 500)	(56 500)	—	(56 500)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	(16 875)	(16 875)
At 31 March 2022	**1 280 550**	**199 538**	**153 177**	**1 748**	**—**	**(4 649)**	**—**	**308 879**	**1 939 243**	**250 000**	**2 189 243**
Movement in reserves 1 April 2022 – 31 March 2023											
Profit after taxation	—	—	—	—	—	—	—	234 695	234 695	—	234 695
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—	(7)	—	—	—	—	(7)	—	(7)
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—	(315)	—	—	—	—	(315)	—	(315)
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—	—	27 635	—	—	—	27 635	—	27 635
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—	675	—	—	—	—	675	—	675
Foreign currency adjustments on translating foreign operations	—	—	—	—	—	(183)	—	—	(183)	—	(183)
Total comprehensive income for the year	**—**	**—**	**—**	**353**	**27 635**	**(183)**	**—**	**234 695**	**262 500**	**—**	**262 500**
Share-based payments adjustments	—	—	—	—	—	—	—	(207)	(207)	—	(207)
Employee benefit liability recognised	—	—	—	—	—	—	—	5 406	5 406	—	5 406
Dividends paid to ordinary shareholder	—	—	—	—	—	—	—	(95 000)	(95 000)	—	(95 000)
Dividends declared to Additional Tier 1 security holders	—	—	—	—	—	—	—	(16 875)	(16 875)	16 875	—
Dividends paid to Additional Tier 1 security holders	—	—	—	—	—	—	—	—	—	(16 875)	(16 875)
At 31 March 2023	**1 280 550**	**199 538**	**153 177**	**2 101**	**27 635**	**(4 832)**	**—**	**436 898**	**2 095 067**	**250 000**	**2 345 067**

ACCOUNTING POLICIES

Basis of presentation

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

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

As stated on page 86, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in the notes to risk and capital management on pages 232 to 275.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 92 to 104.

Basis of consolidation

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

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

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

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

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

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

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

Investments in subsidiaries and interests in associated undertakings and joint venture holdings are carried at their cost less any accumulated impairment in the Company financial statements.

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

Segmental reporting

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

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

For further detail on the Group's segmental basis, refer to the divisional review section of the integrated annual report.

ACCOUNTING POLICIES
CONTINUED

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

Share-based payments to employees

The Group engages in equity-settled share-based payments in respect of services received from employees. These are the shares of the Company's parent, Investec plc, and are accounted for as equity-settled share-based payments as at Investec plc level but, in accordance with IFRS 2, as cash-settled share-based payment transactions by subsidiaries of Investec plc.

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

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

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

Employee benefits

The Group operates various defined contribution schemes.

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

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

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

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

Foreign currency transactions and foreign operations

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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ACCOUNTING POLICIES
CONTINUED

Fair value measurement

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

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

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

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

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

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

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

Financial instruments

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

Business model assessment

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

The standard sets out different types of business models:

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

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

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

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

Solely payments of principal and interest (SPPI)

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

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

Financial assets and liabilities measured at amortised cost

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

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

Impairment of financial assets held at amortised cost or FVOCI

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

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

Stage 1

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

Stage 2

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

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

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

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

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

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

Stage 3

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

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

Definition of default

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

ACCOUNTING POLICIES
CONTINUED

ECL

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

Write-offs

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

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

Process to determine ECL

ECLs are calculated using three main components:

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

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

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

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

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

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

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

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

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

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

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

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

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

Securitisation/credit investment and trading activities exposures

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

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

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

ACCOUNTING POLICIES
CONTINUED

Day-one profit or loss

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

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

Derecognition of financial assets and liabilities

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

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

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

Reclassification of financial instruments

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

Derivative instruments

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

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

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

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

Hedge accounting

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

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

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

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

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

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

ACCOUNTING POLICIES
CONTINUED

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

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

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

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

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

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

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

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

Refer to page 265 for more detail on the impact of IBOR reform in the prior period.

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

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

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

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

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

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

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

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

Financial guarantees

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

ACCOUNTING POLICIES
CONTINUED

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

Property and equipment

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

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

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

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the Group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

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

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

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

Leases

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

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

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

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

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

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

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

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

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

Trading properties

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

Software and intangible assets

Software and intangible assets are recorded at cost less accumulated amortisation and impairments. Software and intangible assets with a finite life are amortised over the useful economic life on a straight-line basis. Amortisation of each

ACCOUNTING POLICIES
CONTINUED

asset starts when it becomes available for use. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

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

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

Taxation and deferred taxation

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

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

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

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

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

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

Key management assumptions

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

Key areas in which estimates are made include:

- In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 are determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and

ACCOUNTING POLICIES
CONTINUED

direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the Group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 14.

Details of unlisted investments can be found in note 25 with further analysis contained in the notes to risk and capital management on page 254.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the Group's assessment of ECLs, including our assessment of the impact of the Russian invasion of Ukraine, can be found on pages 249 to 251.
- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:
  - The assessment of a significant increase in credit risk;
  - A range of forward-looking probability weighted macro-economic scenarios; and
  - Estimations of probabilities of default, loss given default and exposures at default using models.

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

Following a detailed review of the outcome of the ECL models, management continue to hold an additional overlay provision in the UK of £4.9 million (31 March 2022: £16.8 million). Detail of the approach followed and management's assumptions are set out on page 249 of section 3.

- The Group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The Group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the Group in order to determine if an exposure should be measured based on the most likely amount or expected value.
- In making any estimates, management's judgement has been based on various factors, including:
  - The current status of tax audits and enquiries;
  - The current status of discussions and negotiations with the relevant tax authorities;
  - The results of any previous claims; and
  - Any changes to the relevant tax environments.
- The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings which arise in the ordinary course of business. The Group evaluates all facts, the probability of the outcome of legal proceedings, commercial outcomes and advice from internal and external legal counsel when considering the accounting implications
- The Group makes use of reasonable and supportable information to make accounting judgments and estimates related to climate change. This includes information about the observable impact of climate change on the current credit risk of clients and the valuation of assets. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty and have limited effect on accounting judgments and estimates for the current period.

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

ACCOUNTING POLICIES
CONTINUED

Key areas in which judgement is applied include:

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

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental business analysis – income statement

For the year to 31 March 2023 £'000	Private Client Wealth & Investment	Specialist Banking Private Banking	Specialist Banking Corporate, Investment Banking and Other	Total Group
Net interest income	28 150	128 945	591 930	749 025
Fee and commission income	333 192	2 120	120 903	456 215
Fee and commission expense	(691)	(174)	(14 507)	(15 372)
Investment income	7	141	4 855	5 003
Share of post-taxation profit of associates and joint venture holdings	—	—	660	660
Trading income/(loss) arising from				
– customer flow	1 252	4 449	81 665	87 366
– balance sheet management and other trading activities	10	13	13 037	13 060
Other operating income	—	—	12 620	12 620
Total operating income before expected credit loss impairment charges	**361 920**	**135 494**	**811 163**	**1 308 577**
Expected credit loss impairment charges	2	(6 344)	(60 398)	(66 740)
Operating income	**361 922**	**129 150**	**750 765**	**1 241 837**
Operating costs	(270 195)	(58 996)	(503 870)	(833 061)
Operating profit before goodwill, acquired intangibles and strategic actions	**91 727**	**70 154**	**246 895**	**408 776**
Loss attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit after non-controlling interests	**91 727**	**70 154**	**246 895**	**408 776**
Selected returns and key statistics				
Cost to income ratio	74.7%	43.5%	62.1%	63.7%
Total assets (£'mn)	1 061	5 202	21 979	28 242

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. Segmental business analysis – income statement (continued)

For the year to 31 March 2022 £'000	Private Client Wealth & Investment	Specialist Banking Private Banking	Specialist Banking Corporate, Investment Banking and Other	Total Group
Net interest income	2 268	70 692	423 348	496 308
Fee and commission income	344 685	1 579	162 665	508 929
Fee and commission expense	(656)	(23)	(14 018)	(14 697)
Investment income	(2)	816	9 765	10 579
Share of post-taxation profit of associates and joint venture holdings	—	—	1 988	1 988
Trading income/(loss) arising from				
– customer flow	1 194	2 228	56 950	60 372
– balance sheet management and other trading activities	(307)	2	(1 000)	(1 305)
Other operating income	—	—	11 158	11 158
Total operating income before expected credit loss impairment charges	**347 182**	**75 294**	**650 856**	**1 073 332**
Expected credit loss impairment charges	(5)	(2 432)	(22 926)	(25 363)
Operating income	**347 177**	**72 862**	**627 930**	**1 047 969**
Operating costs	(259 496)	(42 034)	(458 756)	(760 286)
Operating profit before goodwill, acquired intangibles and strategic actions	**87 681**	**30 828**	**169 174**	**287 683**
Profit attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit after non-controlling interests	**87 681**	**30 828**	**169 174**	**287 683**
Selected returns and key statistics				
Cost to income ratio	74.7%	55.8%	70.5%	70.8%
Total assets (£'mn)	1 137	4 528	21 924	27 589

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Net interest income

For the year to 31 March £'000	Notes	2023 Average balance sheet value	2023 Interest income	2023 Average yield	2022 Average balance sheet value	2022 Interest income	2022 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	9 322 491	213 554	2.29%	8 070 458	24 438	0.30%
Loans and advances	2	15 268 494	915 989	6.00%	13 423 611	623 975	4.65%
Private client		5 085 272	214 368	4.22%	4 013 304	123 740	3.08%
Corporate, institutional and other clients		10 183 222	701 621	6.89%	9 410 307	500 235	5.32%
Other debt securities and other loans and advances		758 352	38 862	5.12%	652 331	18 047	2.77%
Other#	3	225 900	276 917	n/a	233 801	53 078	n/a
Total interest-earning assets		**25 575 237**	**1 445 322**	**5.65%**	**22 380 201**	**719 538**	**3.22%**

For the year to 31 March £'000	Notes	2023 Average balance sheet value	2023 Interest expense	2023 Average yield	2022 Average balance sheet value	2022 Interest expense	2022 Average yield
Deposits by banks and other debt-related securities	4	3 435 368	41 557	1.21%	2 813 105	18 114	0.64%
Customer accounts (deposits)		19 192 531	383 189	2.00%	17 035 633	93 229	0.55%
Subordinated liabilities		753 269	34 548	4.59%	870 954	49 467	5.68%
Other#	5	352 681	237 003	n/a	363 193	62 420	n/a
Total interest-bearing liabilities		**23 733 849**	**696 297**	**2.93%**	**21 082 885**	**223 230**	**1.06%**
Net interest income			**749 025**			**496 308**	
Net interest margin			**2.93%**			**2.22%**	

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

3. Net fee and commission income

For the year to 31 March £'000	2023	2022
Wealth & Investment businesses net fee and commission income	**332 501**	**344 029**
Fund management fees/fees for assets under management	294 468	301 950
Private client transactional fees	38 724	42 735
Fee and commission expense	(691)	(656)
Specialist Banking net fee and commission income	**108 342**	**150 203**
Specialist Banking fee and commission income	123 023	164 244
Specialist Banking fee and commission expense	(14 681)	(14 041)
Net fee and commission income	**440 843**	**494 232**
Annuity fees (net of fees payable)	309 758	317 990
Deal fees	131 085	176 242

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4. Investment income

For the year to 31 March £'000	2023	2022
Realised	13 158	28 988
Unrealised*	(15 566)	(26 994)
Dividend income	6 546	6 917
Funding and other net related income	865	1 668
	5 003	**10 579**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2023								
Realised	(994)	53 495	1 062	53 563	(528)	(1 118)	(38 759)	13 158
Unrealised*	1 147	(51 333)	(1 281)	(51 467)	(5 649)	(2 325)	43 875	(15 566)
Dividend income	—	6 313	—	6 313	—	—	233	6 546
Funding and other net related income	—	—	—	—	—	865	—	865
	153	**8 475**	**(219)**	**8 409**	**(6 177)**	**(2 578)**	**5 349**	**5 003**
2022								
Realised	2 414	18 028	552	20 994	512	(4 383)	11 865	28 988
Unrealised*	(4 169)	2 082	1 176	(911)	(457)	4 274	(29 900)	(26 994)
Dividend income	37	6 667	—	6 704	—	—	213	6 917
Funding and other net related income	—	—	—	—	—	1 668	—	1 668
	(1 718)	**26 777**	**1 728**	**26 787**	**55**	**1 559**	**(17 822)**	**10 579**

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

5. Other operating income

For the year to 31 March £'000	2023	2022
Unrealised gains on other investments	1 968	1 786
Income from operating leases	4 468	1 539
Income from government grants*	6 184	7 833
	12 620	**11 158**

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

6. Expected credit loss impairment charges

For the year to 31 March £'000	2023	2022
Expected credit losses have arisen on the following items:		
Loans and advances to customers	54 396	22 024
Other loans and advances	57	14
Other balance sheet assets	3 648	3 824
Undrawn commitments and guarantees	8 639	(499)
	66 740	**25 363**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Operating costs

For the year to 31 March £'000	2023	2022
Staff compensation costs	588 032	541 781
Salaries and wages (including directors' remuneration)**	482 899	442 766
Share-based payment expense	19 871	21 476
Social security costs	53 624	49 335
Pensions and provident fund contributions	31 638	28 204
Training and other costs	13 784	11 986
Staff costs	601 816	553 767
Premises expenses	40 299	40 813
Premises expenses (excluding depreciation and impairments)	19 853	16 675
Premises depreciation and impairments	20 446	24 138
Equipment expenses (excluding depreciation)	64 390	54 266
Business expenses*	103 065	90 407
Marketing expenses	17 113	13 028
Depreciation, amortisation and impairment of equipment, software and intangibles	6 378	8 005
	833 061	**760 286**
The following amounts were paid by the Group to the auditors in respect of the audit of the financial statements and for other services provided to the Group:		
Ernst & Young fees		
Total audit fees	**5 750**	**5 156**
Audit of the Group's accounts	3 438	2 891
Audit of the Group's subsidiaries	2 312	2 265
Total non-audit fees	**1 230**	**1 236**
Audit related assurance services[1]	655	590
Other assurance services[2]	423	512
Other non-audit services	152	134
Total auditor's remuneration	**6 980**	**6 392**

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
** Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 92 to 104.
1. Audit related assurance fees consist of reviews of interim financial information.
2. Other assurance services relate to services required by law or regulation (including agreed-upon-procedures relating to statutory and regulatory filings and reporting to regulators on client assets).

During the year, the average number of permanent employees was 3 545 (2022: 3 432).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments

The Investec Group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis in Investec plc but in accordance with IFRS 2 are cash-settled in the Company as set out in the accounting policies on pages 128 to 139. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec Group's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Investec Group.

Further information on the Investec Group share options and long-term incentive plans is provided on the Investec Group website.

For the year to 31 March £'000	2023	2022
Share-based payment expense:		
Cash-settled (equity-settled at Investec plc)	**19 871**	**21 476**

Group

For the year to 31 March £'000	2023	2022
Weighted average fair value of awards granted in the year		
UK schemes	**22 734**	**39 856**

	2023		2022	
Details of awards outstanding during the year	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	24 941 009	0.02	18 416 191	0.02
Sale of business	—	0.00	(94 076)	0.00
Transfer of employees during the year	4 861	0.00	(68 376)	0.00
Granted during the year	4 848 800	0.00	13 332 426	0.00
Exercised during the year^	(4 569 397)	0.01	(4 835 026)	0.00
Awards forfeited during the year	(1 558 256)	0.00	(1 810 130)	0.04
Outstanding at the end of the year	**23 667 017**	**0.00**	**24 941 009**	**0.02**
Exercisable at the end of the year	**697 225**	**—**	**481 443**	**—**

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

8. Share-based payments (continued)

Additional information relating to awards:	2023	2022
Options with strike prices		
Exercise price range	n/a	£3.58 – £4.18
Weighted average remaining contractual life	n/a	0.22 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.90 years	2.15 years
Weighted average fair value of awards and long-term grants at measurement date	£4.69	£2.99
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.70 – £4.81	£3.06 – £3.80
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	3 – 7.01 years	3 – 7.01 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

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

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

Company

For the year to 31 March £'000	2023	2022
UK schemes	**19 164**	**34 627**

Details of awards outstanding during the year	2023 Number of share awards	2023 Weighted average exercise price £	2022 Number of share awards	2022 Weighted average exercise price £
Outstanding at the beginning of the year	19 379 880	0.00	11 556 757	0.00
Transfer of employees during the year	(108 133)	0.00	25 014	0.00
Granted during the year	4 081 612	0.00	11 612 608	0.00
Exercised during the year^	(2 966 401)	0.00	(2 308 461)	0.00
Awards forfeited during the year	(610 437)	0.00	(1 506 038)	0.01
Outstanding at the end of the year	**19 776 521**	**0.00**	**19 379 880**	**0.00**
Exercisable at the end of the year	**358 402**	**—**	**217 307**	**—**

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

8. Share-based payments (continued)

Additional information relating to awards:	2023	2022
Company		
Options with strike prices		
Exercise price range	n/a	n/a
Weighted average remaining contractual life	n/a	n/a
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.93 years	2.28 years
Weighted average fair value of awards and long-term grants at measurement date	£4.70	£3.00
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.70 – £4.81	£3.06 – £3.80
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	3 – 7.01 years	3 – 7.01 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

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

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

9. Long-term employment benefits

Group

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

DLC has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards. Accordingly, this obligation was classified and measured as an other long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £5 354 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and as a result was accounted for in retained income. The liability was subsequently measured at fair value through profit and loss.

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

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

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2023 was £2.5 million (31 March 2022: £3.0 million).

Details of awards outstanding during the year	2023 Number of Ninety One awards	2023 Weighted average exercise price £	2022 Number of Ninety One awards	2022 Weighted average exercise price £
Outstanding at the beginning of the year	3 620 311	0.01	5 600 071	0.00
Sale of business	—	0.00	(30 412)	0.00
Transfer of employees during the year	(56)	0.00	(14 039)	0.00
Grant linked to Ninety One Distribution	3 656 998	0.00	—	0.00
Exercised during the year	(5 520 503)	0.00	(1 677 112)	0.00
Awards forfeited during the year	(189 052)	0.17	(258 197)	0.12
Outstanding at the end of the year	**1 567 698**	**0.00**	**3 620 311**	**0.01**
Exercisable at the end of the year	**875 600**	**—**	**234 104**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Long-term employment benefits (continued)

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

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

Company

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

DLC has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £3 987 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and as a result was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

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

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

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2023 was £2.4 million (31 March 2022: £2.0 million).

	2023		2022	
Details of awards outstanding during the year	Number of Ninety One awards	Weighted average exercise price £	Number of Ninety One awards	Weighted average exercise price £
Outstanding at the beginning of the year	2 420 600	0.00	3 739 502	0.00
Transfer of employees during the year	(27 836)	0.00	64 071	0.00
Distributed during the year	2 890 562	0.00	—	0.00
Exercised during the year^	(4 084 589)	0.00	(1 186 885)	0.00
Awards forfeited during the year	(49 612)	0.00	(196 088)	0.00
Outstanding at the end of the year	**1 149 125**	**0.00**	**2 420 600**	**0.00**
Exercisable at the end of the year	**507 068**	**—**	**121 535**	**—**

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

Additional information relating to awards:	2023	2022
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Listed share price at 31 March	£1.85	£2.55
– Exercise price	£nil	£nil
– Expected volatility	37.7%	35.0%
– Award life	0 – 5.41 years	0 – 4.42 years
– Expected dividend yields	0% – 9.82%	0% – 6.97%
– Risk-free rate	3.67% – 4.45%	0.85% – 2.03%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation

For the year to 31 March £'000	2023	2022
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	92 899	60 793
Adjustments in respect of prior years	(8 035)	73
Corporation tax before double tax relief	**84 864**	**60 866**
Double tax relief	(335)	(436)
	84 529	**60 430**
Europe	5 229	1 202
Australia	438	329
Other*	638	3 055
	6 305	**4 586**
Total current taxation	**90 834**	**65 016**
Deferred taxation		
UK	(9 674)	(22 138)
Europe	102	(2 447)
Australia	—	1 008
Other	(5)	(776)
Total deferred taxation	**(9 577)**	**(24 353)**
Total taxation charge for the year	**81 257**	**40 663**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	83 288	42 174
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(2 031)	(1 511)
	81 257	**40 663**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(1 956)	(9 387)
Changes in taxation rates	(6 914)	(12 655)
Adjustment in respect of prior years	(707)	(2 311)
	(9 577)	**(24 353)**
The deferred taxation (credit)/charge in the income statement arose from:		
Deferred capital allowances	(11 616)	(8 371)
Income and expenditure accruals	(4 190)	(2 644)
Asset in respect of unexpired options	(2 025)	(13 385)
Unrealised fair value adjustment on financial instruments	220	(2 987)
Movement in deferred tax assets related to assessed losses	6 087	4 120
Liability/(asset) in respect of pension surplus	11	(68)
Deferred tax on acquired intangibles	1 805	(1 149)
Other temporary differences	131	131
	(9 577)	**(24 353)**
The deferred taxation charge in OCI/equity arose from:		
Asset in respect of unexpired options	(491)	(4 538)
Unrealised fair value adjustment on financial instruments	5 229	8 215
	4 738	**3 677**

* Where Other largely includes India and North America.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation (continued)

For the year to 31 March £'000	2023	2022
The rates of corporation tax for the relevant years are:	**%**	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**394 866**	**273 544**
Taxation on profit before taxation	**81 257**	**40 663**
Effective tax rate	**20.6%**	**14.9%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2022: 19%)	75 025	51 973
Taxation adjustments relating to foreign earnings	(4 377)	(1 778)
Taxation relating to prior years	(8 742)	(2 238)
Impairment of goodwill and non-operating items	224	(199)
Share options accounting expense/(income)	385	(4 285)
Non-taxable income	(824)	(865)
Net other permanent differences	1 900	1 090
Bank surcharge*	17 068	10 481
Capital gains – non-taxable/covered by losses	2 178	(2 160)
Movement in unrecognised trading losses	5 335	1 299
Change in tax rate**	(6 915)	(12 655)
Total taxation charge as per income statement	**81 257**	**40 663**
Other comprehensive income taxation effects		
Gains on realisation of debt instruments at FVOCI recycled through the income statement	(313)	(307)
Pre-taxation	(430)	(429)
Taxation effect	117	122
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	217	(2 276)
Pre-taxation	486	(2 657)
Taxation effect	(269)	381
Own credit risk	—	11 059
Pre-taxation	—	15 792
Taxation effect	—	(4 733)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 875)	(16 875)
Pre-taxation	(16 875)	(16 875)
Taxation effect	—	—
Share-based payment adjustment	491	4 538
Pre-taxation	—	—
Taxation effect	491	4 538
IFRS 9 transitional adjustments	(7)	617
Pre-taxation	—	—
Taxation effect	(7)	617

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

Global Minimum Tax

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

NOTES TO THE FINANCIAL STATEMENTS
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11. Dividends

For the year to 31 March £'000	2023	2022
Ordinary dividends		
Dividends for current year	95 000	56 500
Total dividends attributable to ordinary shareholder	**95 000**	**56 500**

For the year to 31 March £'000	2023	2022
Dividend attributable to Additional Tier 1 securities	**16 875**	**16 875**

The £200 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities), issued on 16 October 2018, pay a distribution rate of 6.75% per annum quarterly.

A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 000 000 2024 notes issued on 16 October 2018.

NOTES TO THE FINANCIAL STATEMENTS
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05 Annual financial statements

Investec Bank plc Annual Financial Statements 2023

NOTES TO THE FINANCIAL STATEMENTS
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12. Analysis of income and impairments by category of financial instrument

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2023								
Net interest income	7 620	70 562	—	83 370	567 437	(63)	20 099	749 025
Fee and commission income	15 457	1 054	—	—	68 381	—	371 323	456 215
Fee and commission expense	—	—	—	—	(2 594)	—	(12 778)	(15 372)
Investment income	(8 096)	18 565	(396)	1 001	484	(6 555)	—	5 003
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	660	—	660
Trading income/(loss) arising from								
– customer flow	87 721	(1 573)	1 218	—	—	—	—	87 366
– balance sheet management and other trading activities	624	20 914	(6 116)	—	(2 362)	—	—	13 060
Other operating income	—	—	—	—	4 468	—	8 152	12 620
Total operating income/(expense) before expected credit loss	**103 326**	**109 522**	**(5 294)**	**84 371**	**635 814**	**(5 958)**	**386 796**	**1 308 577**
Expected credit loss impairments charges*	—	—	—	—	(66 740)	—	—	(66 740)
Operating income/(expense)	**103 326**	**109 522**	**(5 294)**	**84 371**	**569 074**	**(5 958)**	**386 796**	**1 241 837**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception	Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
2022								
Net interest income	(17 200)	54 104	(26 472)	36 558	446 055	1 538	1 725	496 308
Fee and commission income	16 822	1 407	—	—	68 661	—	422 039	508 929
Fee and commission expense	—	—	—	—	(2 162)	—	(12 535)	(14 697)
Investment income	1 728	25 682	584	1 134	1 214	(19 763)	—	10 579
Share of post-taxation profit of associates and joint venture holdings	—	—	—	—	—	1 988	—	1 988
Trading income/(loss) arising from								
– customer flow	34 630	30 413	(4 671)	—	—	—	—	60 372
– balance sheet management and other trading activities	(102)	(6 580)	7 344	—	(1 967)	—	—	(1 305)
Other operating income	—	—	—	—	1 539	—	9 619	11 158
Total operating income/(expense) before expected credit loss	**35 878**	**105 026**	**(23 215)**	**37 692**	**513 340**	**(16 237)**	**420 848**	**1 073 332**
Expected credit loss impairments charges*	—	—	—	—	(25 363)	—	—	(25 363)
Operating income/(expense)	**35 878**	**105 026**	**(23 215)**	**37 692**	**487 977**	**(16 237)**	**420 848**	**1 047 969**

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

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

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March **£'000**	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Group								
2023								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 400 401	—	5 400 401
Loans and advances to banks	—	—	—	—	—	892 791	—	892 791
Reverse repurchase agreements and cash collateral on securities borrowed	—	345 869	—	—	345 869	992 830	—	1 338 699
Sovereign debt securities	—	24 077	—	1 141 745	1 165 822	55 922	—	1 221 744
Bank debt securities	—	—	—	199 737	199 737	4 954	—	204 691
Other debt securities	—	93 992	—	—	93 992	603 283	—	697 275
Derivative financial instruments	680 262	—	—	—	680 262	—	—	680 262
Securities arising from trading activities	110 619	4 002	12 916	—	127 537	—	—	127 537
Investment portfolio	—	311 618	—	—	311 618	—	—	311 618
Loans and advances to customers	—	550 515	—	843 428	1 393 943	14 173 866	—	15 567 809
Other loans and advances	—	—	—	—	—	172 087	—	172 087
Other securitised assets	—	—	78 231	—	78 231	—	—	78 231
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	10 851	10 851
Deferred taxation assets	—	—	—	—	—	—	111 513	111 513
Current taxation assets	—	—	—	—	—	—	9 890	9 890
Other assets	10 327	—	—	—	10 327	612 197	370 861	993 385
Property and equipment	—	—	—	—	—	—	121 014	121 014
Goodwill	—	—	—	—	—	—	249 503	249 503
Software	—	—	—	—	—	—	9 415	9 415
Other acquired intangible assets	—	—		—	—	—	43 887	43 887
	801 208	**1 330 073**	**91 147**	**2 184 910**	**4 407 338**	**22 908 331**	**926 934**	**28 242 603**
Liabilities								
Deposits by banks	—	—	—	—	—	2 172 170	—	2 172 170
Derivative financial instruments	704 816	—	—	—	704 816	—	—	704 816
Other trading liabilities	28 184	—	—	—	28 184	—	—	28 184
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	139 529	—	139 529
Customer accounts (deposits)	—	—	—	—	—	19 251 399	—	19 251 399
Debt securities in issue	—	—	21 554	—	21 554	1 119 325	—	1 140 879
Liabilities arising on securitisation of other assets	—	—	81 609	—	81 609	—	—	81 609
Current taxation liabilities	—	—	—	—	—	—	4 813	4 813
Other liabilities	—	6 324	—	—	6 324	622 337	569 606	1 198 267
	733 000	**6 324**	**103 163**	**—**	**842 487**	**23 304 760**	**574 419**	**24 721 666**
Subordinated liabilities	—	—	—	—	—	731 483	—	731 483
	733 000	**6 324**	**103 163**	**—**	**842 487**	**24 036 243**	**574 419**	**25 453 149**

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

For more information on hedges, please refer to note 47 on pages 209 to 212.

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

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Group								
2022								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 379 994	—	5 379 994
Loans and advances to banks	—	—	—	—	—	1 467 039	—	1 467 039
Reverse repurchase agreements and cash collateral on securities borrowed	89 889	540 570	38 649	—	669 108	778 365	—	1 447 473
Sovereign debt securities	—	33 658	—	1 132 119	1 165 777	—	—	1 165 777
Bank debt securities	—	—	—	61 714	61 714	—	—	61 714
Other debt securities	—	144 048	—	—	144 048	293 601	—	437 649
Derivative financial instruments	717 457	—	—	—	717 457	—	—	717 457
Securities arising from trading activities	138 032	4 780	20 353	—	163 165	—	—	163 165
Investment portfolio	—	333 221	—	—	333 221	—	—	333 221
Loans and advances to customers	—	609 083	—	685 386	1 294 469	13 132 006	—	14 426 475
Other loans and advances	—	—	—	—	—	147 025	—	147 025
Other securitised assets	—	—	93 087	—	93 087	—	—	93 087
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	11 444	11 444
Deferred taxation assets	—	—	—	—	—	—	109 542	109 542
Current taxation assets	—	—	—	—	—	—	15 727	15 727
Other assets	9 606	—	—	—	9 606	822 300	329 643	1 161 549
Property and equipment	—	—	—	—	—	—	155 055	155 055
Goodwill	—	—	—	—	—	—	244 072	244 072
Software	—	—	—	—	—	—	7 066	7 066
Other acquired intangible assets	—	—		—	—	—	44 145	44 145
	954 984	**1 665 360**	**152 089**	**1 879 219**	**4 651 652**	**22 020 330**	**916 694**	**27 588 676**
Liabilities								
Deposits by banks	—	—	—	—	—	2 026 573	—	2 026 573
Derivative financial instruments	863 295	—	—	—	863 295	—	—	863 295
Other trading liabilities	42 944	—	—	—	42 944	—	—	42 944
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	154 828	—	154 828
Customer accounts (deposits)	—	—	—	—	—	18 616 233	—	18 616 233
Debt securities in issue	—	—	46 192	—	46 192	1 074 649	—	1 120 841
Liabilities arising on securitisation of other assets	—	—	95 885	—	95 885	—	—	95 885
Current taxation liabilities	—	—	—	—	—	—	2 082	2 082
Other liabilities	—	—	—	—	—	805 880	554 191	1 360 071
	906 239	**—**	**142 077**	**—**	**1 048 316**	**22 678 163**	**556 273**	**24 282 752**
Subordinated liabilities	—	—	—	—	—	758 739	—	758 739
	906 239	**—**	**142 077**	**—**	**1 048 316**	**23 436 902**	**556 273**	**25 041 491**

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

For more information on hedges, please refer to note 47 on pages 209 to 212.

NOTES TO THE FINANCIAL STATEMENTS
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13. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Company								
2023								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 380 346	—	5 380 346
Loans and advances to banks	—	—	—	—	—	237 897	—	237 897
Reverse repurchase agreements and cash collateral on securities borrowed	—	345 869	—	—	345 869	992 830	—	1 338 699
Sovereign debt securities	—	24 077	—	338 799	362 876	9 865	—	372 741
Bank debt securities	—	—	—	195 636	195 636	4 954	—	200 590
Other debt securities	—	93 753	1 094	—	94 847	1 309 406	—	1 404 253
Derivative financial instruments	625 897	—	—	—	625 897	—	—	625 897
Securities arising from trading activities	110 619	4 002	12 916	—	127 537	—	—	127 537
Investment portfolio	—	46 534	—	—	46 534	—	—	46 534
Loans and advances to customers	—	449 618	—	843 428	1 293 046	10 534 443	—	11 827 489
Other loans and advances	—	—	—	—	—	3 199 833	—	3 199 833
Other securitised assets	—	—	4 005	—	4 005	—	—	4 005
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	2 301	2 301
Deferred taxation assets	—	—	—	—	—	—	59 833	59 833
Current taxation assets	—	—	—	—	—	—	36 006	36 006
Other assets	10 327	—	—	—	10 327	366 195	69 764	446 286
Property and equipment	—	—	—	—	—	—	58 577	58 577
Software	—	—	—	—	—	—	238	238
Investment in subsidiaries	—	—	—	—	—	—	872 829	872 829
	746 843	**963 853**	**18 015**	**1 377 863**	**3 106 574**	**22 035 769**	**1 099 548**	**26 241 891**
Liabilities								
Deposits by banks	—	—	—	—	—	2 524 081	—	2 524 081
Derivative financial instruments	665 600	—	—	—	665 600	—	—	665 600
Other trading liabilities	28 184	—	—	—	28 184	—	—	28 184
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	289 529	—	289 529
Customer accounts (deposits)	—	—	—	—	—	17 953 810	—	17 953 810
Debt securities in issue	—	—	21 554	—	21 554	1 118 142	—	1 139 696
Other liabilities	—	—	—	—	—	384 410	180 031	564 441
	693 784	**—**	**21 554**	**—**	**715 338**	**22 269 972**	**180 031**	**23 165 341**
Subordinated liabilities	—	—	—	—	—	731 483	—	731 483
	693 784	**—**	**21 554**	**—**	**715 338**	**23 001 455**	**180 031**	**23 896 824**

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For more information on hedges, please refer to note 47 on pages 209 to 212.

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

	At fair value through profit or loss			At fair value through comprehensive income				
	IFRS 9 mandatory							
At 31 March **£'000**	Trading*	Non–trading*	Designated at initial recognition	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Company								
2022								
Assets								
Cash and balances at central banks	—	—	—	—	—	5 326 533	—	5 326 533
Loans and advances to banks	—	—	—	—	—	535 738	—	535 738
Reverse repurchase agreements and cash collateral on securities borrowed	89 889	540 570	38 649	—	669 108	778 365	—	1 447 473
Sovereign debt securities	—	33 658	—	289 836	323 494	—	—	323 494
Bank debt securities	—	—	—	57 844	57 844	—	—	57 844
Other debt securities	—	143 866	1 261	—	145 127	998 897	—	1 144 024
Derivative financial instruments	672 124	—	—	—	672 124	—	—	672 124
Securities arising from trading activities	138 032	4 780	20 353	—	163 165	—	—	163 165
Investment portfolio	—	70 229	—	—	70 229	—	—	70 229
Loans and advances to customers	—	508 076	—	685 386	1 193 462	9 736 981	—	10 930 443
Other loans and advances	—	572	—	—	572	3 026 590	—	3 027 162
Other securitised assets	—	—	5 083	—	5 083		—	5 083
Interests in associated undertakings and joint venture holdings	—	—	—	—	—	—	2 167	2 167
Deferred taxation assets	—	—	—	—	—	—	70 214	70 214
Current taxation assets	—	—	—	—	—	—	28 997	28 997
Other assets	9 606	—	—	—	9 606	531 429	73 998	615 033
Property and equipment	—	—	—	—	—	—	70 514	70 514
Software	—	—	—	—	—	—	34	34
Investment in subsidiaries	—	—		—	—	—	827 599	827 599
	909 651	**1 301 751**	**65 346**	**1 033 066**	**3 309 814**	**20 934 533**	**1 073 523**	**25 317 870**
Liabilities								
Deposits by banks	—	—	—	—	—	2 214 555	—	2 214 555
Derivative financial instruments	828 405	—	—	—	828 405	—	—	828 405
Other trading liabilities	42 944	—	—	—	42 944	—	—	42 944
Repurchase agreements and cash collateral on securities lent	—	—	—	—	—	197 903	—	197 903
Customer accounts (deposits)	—	—	—	—	—	17 290 014	—	17 290 014
Debt securities in issue	—	—	46 192	—	46 192	1 073 466	—	1 119 658
Other liabilities	—	—	—	—	—	482 028	194 381	676 409
	871 349	**—**	**46 192**	**—**	**917 541**	**21 257 966**	**194 381**	**22 369 888**
Subordinated liabilities	—	—	—	—	—	758 739	—	758 739
	871 349	**—**	**46 192**	**—**	**917 541**	**22 016 705**	**194 381**	**23 128 627**

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

For more information on hedges, please refer to note 47 on pages 209 to 212.

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14. Fair value hierarchy

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

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

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

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

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2023				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	345 869	—	345 869	—
Sovereign debt securities	1 165 822	1 165 822	—	—
Bank debt securities	199 737	199 737	—	—
Other debt securities	93 992	—	60	93 932
Derivative financial instruments	680 262	—	627 078	53 184
Securities arising from trading activities	127 537	123 475	60	4 002
Investment portfolio	311 618	1 666	885	309 067
Loans and advances to customers*	1 393 943	—	90 297	1 303 646
Other securitised assets	78 231	—	—	78 231
Other assets	10 327	10 327	—	—
	4 407 338	**1 501 027**	**1 064 249**	**1 842 062**
Liabilities				
Derivative financial instruments	704 816	—	645 358	59 458
Other trading liabilities	28 184	28 184	—	—
Debt securities in issue	21 554	—	21 554	—
Liabilities arising on securitisation of other assets	81 609	—	—	81 609
Other liabilities	6 324	—	—	6 324
	842 487	**28 184**	**666 912**	**147 391**
Net assets at fair value	**3 564 851**	**1 472 843**	**397 337**	**1 694 671**

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

Transfers between level 1 and level 2

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

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

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2022				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	—	669 108	—
Sovereign debt securities	1 165 777	1 165 777	—	—
Bank debt securities	61 714	61 714	—	—
Other debt securities	144 048	—	39 017	105 031
Derivative financial instruments	717 457	19	673 488	43 950
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	333 221	2 034	6 552	324 635
Loans and advances to customers*	1 294 469	—	82 621	1 211 848
Other securitised assets	93 087	—	—	93 087
Other assets	9 606	9 606	—	—
	4 651 652	**1 397 363**	**1 470 958**	**1 783 331**
Liabilities				
Derivative financial instruments	863 295	—	817 526	45 769
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
Liabilities arising on securitisation of other assets	95 885	—	—	95 885
	1 048 316	**42 944**	**863 718**	**141 654**
Net assets at fair value	**3 603 336**	**1 354 419**	**607 240**	**1 641 677**

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

Transfers between level 1 and level 2

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

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14. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Group					
Assets					
Balance as at 1 April 2021	**336 951**	**1 045 663**	**107 259**	**135 369**	**1 625 242**
Total gains or (losses)	22 677	63 202	(657)	19 577	104 799
In the income statement	22 677	63 768	(657)	19 577	105 365
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	33 602	1 845 044	—	59 165	1 937 811
Sales	(66 682)	(1 079 005)	—	(19 783)	(1 165 470)
Settlements	(8 498)	(695 450)	(13 515)	(49 392)	(766 855)
Transfers into level 3	621	—	—	—	621
Foreign exchange adjustments	5 964	32 394	—	8 825	47 183
Balance as at 31 March 2022	**324 635**	**1 211 848**	**93 087**	**153 761**	**1 783 331**
Total gains or (losses)	6 228	100 832	1 000	5 252	113 312
In the income statement	6 228	101 088	1 000	5 252	113 568
In the statement of comprehensive income	—	(256)	—	—	(256)
Purchases	23 416	1 692 584	—	26 056	1 742 056
Sales	(43 653)	(762 668)	—	(12 565)	(818 886)
Settlements	(13 648)	(981 996)	(15 856)	(31 148)	(1 042 648)
Transfers into level 3	6 304	—	—	4 746	11 050
Foreign exchange adjustments	5 785	43 046	—	5 016	53 847
Balance as at 31 March 2023	**309 067**	**1 303 646**	**78 231**	**151 118**	**1 842 062**

1. Comprises level 3 other debt securities, derivative financial instruments and securities arising from trading.

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

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

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

2 Comprises level 3 derivative financial instruments and other liabilities.

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14. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
Group			
2023			
Total gains or (losses) included in the income statement for the year			
Net interest income	98 185	86 191	11 994
Investment income*	2 069	2 502	(433)
Trading income arising from customer flow	160	1	159
	100 414	**88 694**	**11 720**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	433	433	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(256)	—	(256)
	177	**433**	**(256)**
2022			
Total gains or (losses) included in the income statement for the year			
Net interest income	65 943	57 918	8 025
Investment income*	27 562	52 666	(25 104)
Trading loss arising from customer flow	(2 194)	(491)	(1 703)
	91 311	**110 093**	**(18 782)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	**440**	**(566)**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

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

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

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14. Fair value hierarchy (continued)

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

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

At 31 March 2023	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Group					
Assets					
Other debt securities	93 932	Potential impact on income statement		2 702	(5 253)
		Credit spreads	1.05%–1.87%	108	(254)
		Cash flow adjustments	CPR 14.81%	10	(10)
		Other	^	2 584	(4 989)
Derivative financial instruments	53 184	Potential impact on income statement		5 260	(5 136)
		Volatilities	7.5%–18.9%	13	(25)
		Cash flow adjustments	CPR 14.81%	6	(5)
		Underlying asset value	^^	3 999	(4 100)
		Other	^	1 242	(1 006)
Securities arising from trading activities	4 002	Potential impact on income statement			
		Cash flow adjustments	CPR 14.17%	206	(235)
Investment portfolio	309 067	Potential impact on income statement		32 599	(65 295)
		Price earnings multiple	5.5x–11.2x	11 718	(21 695)
		Underlying asset value	^^	9 378	(20 883)
		Other	^	11 503	(22 717)
Loans and advances to customers	1 303 646	Potential impact on income statement		21 222	(40 572)
		Credit spreads	0.28%–5.2%	10 994	(22 971)
		Price earnings multiple	3.5x-4x	4 276	(7 083)
		Underlying asset value	^^	1 564	(1 742)
		Other	^	4 388	(8 776)
		Potential impact on other comprehensive income		15 756	(31 758)
		Credit spreads	0.29%–5.5%	15 753	(31 751)
		Other	^	3	(7)
Other securitised assets	78 231	Potential impact on income statement			
		Cash flow adjustments	CPR 14.81%	701	(669)
Total level 3 assets	**1 842 062**			**78 446**	**(148 918)**
Liabilities					
Derivative financial instruments	59 458	Potential impact on income statement		(4 098)	4 099
		Volatilities	9%–18.9%	(1)	2
		Underlying asset value	^^	(4 097)	4 097
Liabilities arising on securitisation of other assets*	81 609	Potential impact on income statement			
		Cash flow adjustments	CPR 14.81%	(351)	363
Other liabilities	6 324	Potential impact on income statement			
		Other	^	(632)	632
Total level 3 liabilities	**147 391**			**(5 081)**	**5 094**
Net level 3 assets	**1 694 671**				

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

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

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

14. Fair value hierarchy (continued)

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Group					
Assets					
Other debt securities	105 031	Potential impact on income statement		3 199	(5 851)
		Credit spreads	0.74%–2.75%	141	(286)
		Cash flow adjustments	CPR 8.4%	6	(8)
		Other	^	3 052	(5 557)
Derivative financial instruments	43 950	Potential impact on income statement		4 643	(5 266)
		Volatilities	5%–18.9%	15	(29)
		Cash flow adjustments	CPR 8.4%	—	(6)
		Underlying asset value	^^	4 026	(4 028)
		Other	^	602	(1 203)
Securities arising from trading activities	4 780	Potential impact on income statement			
		Cash flow adjustments	CPR 11%	481	(635)
Investment portfolio	324 635	Potential impact on income statement		34 225	(68 234)
		Price earnings multiple	5.5x–15x	9 505	(18 206)
		Underlying asset value	^^	9 636	(20 897)
		Other	^	15 084	(29 131)
Loans and advances to customers	1 211 848	Potential impact on income statement		24 838	(40 047)
		Credit spreads	0.15%–34.3%	10 656	(27 586)
		Price earnings multiple	3.5x–4.2x	7 824	(1 136)
		Underlying asset value	^^	3 528	(5 665)
		Other	^	2 830	(5 660)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%–6.17%	8 440	(15 725)
Other securitised assets	93 087	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	988	(1 057)
Total level 3 assets	**1 783 331**			**76 814**	**(136 815)**
Liabilities					
Derivative financial instruments	45 769	Potential impact on income statement		(4 046)	4 060
		Volatilities	5%–18.9%	(21)	35
		Underlying asset value	^^	(4 025)	4 025
Liabilities arising on securitisation of other assets*	95 885	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	(292)	299
Total level 3 liabilities	**141 654**			**(4 338)**	**4 359**
Net level 3 assets	**1 641 677**				

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

14. Fair value hierarchy (continued)

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

Credit spreads

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

Discount rates

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

Volatilities

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

Cash flows

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

Price earnings multiple

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

Underlying asset value

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

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14. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Company				
2023				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	345 869	—	345 869	—
Sovereign debt securities	362 876	362 876	—	—
Bank debt securities	195 636	195 636	—	—
Other debt securities	94 847	—	60	94 787
Derivative financial instruments	625 897	—	615 603	10 294
Securities arising from trading activities	127 537	123 475	60	4 002
Investment portfolio	46 534	525	884	45 125
Loans and advances to customers*	1 293 046	—	—	1 293 046
Other securitised assets	4 005	—	—	4 005
Other assets	10 327	10 327	—	—
	3 106 574	**692 839**	**962 476**	**1 451 259**
Liabilities				
Derivative financial instruments	665 600	—	643 602	21 998
Other trading liabilities	28 184	28 184	—	—
Debt securities in issue	21 554	—	21 554	—
	715 338	**28 184**	**665 156**	**21 998**
Net assets at fair value	**2 391 236**	**664 655**	**297 320**	**1 429 261**

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

Transfers between level 1 and level 2

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Company				
2022				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	—	669 108	—
Sovereign debt securities	323 494	323 494	—	—
Bank debt securities	57 844	57 844	—	—
Other debt securities	145 127	—	39 018	106 109
Derivative financial instruments	672 124	19	664 781	7 324
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	70 229	449	836	68 944
Loans and advances to customers*	1 193 462	—	1 889	1 191 573
Other loans and advances	572	—	—	572
Other securitised assets	5 083	—	—	5 083
Other assets	9 606	9 606	—	—
	3 309 814	**549 626**	**1 375 804**	**1 384 385**
Liabilities				
Derivative financial instruments	828 405	—	813 587	14 818
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
	917 541	**42 944**	**859 779**	**14 818**
Net assets at fair value	**2 392 273**	**506 682**	**516 025**	**1 369 567**

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

Transfers between level 1 and level 2

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Company					
Assets					
Balance as at 1 April 2021	**64 456**	**1 019 358**	**5 774**	**170 852**	**1 260 440**
Total gains or (losses)	8 804	66 129	1 170	(6 241)	69 862
In the income statement	8 804	66 695	1 170	(6 241)	70 428
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	19 748	1 838 154	—	40 312	1 898 214
Sales	(26 176)	(1 066 692)	—	(19 783)	(1 112 651)
Settlements	—	(697 388)	(1 861)	(74 715)	(773 964)
Foreign exchange adjustments	2 112	32 012	—	8 360	42 484
Balance as at 31 March 2022	**68 944**	**1 191 573**	**5 083**	**118 785**	**1 384 385**
Total gains or (losses)	12 890	90 069	(389)	1 079	103 649
In the income statement	12 890	90 325	(389)	1 079	103 905
In the statement of comprehensive income	—	(256)	—	—	(256)
Purchases	7 153	1 685 015	—	27 286	1 719 454
Sales	(38 150)	(739 499)	—	(12 565)	(790 214)
Settlements	(7 336)	(977 612)	(688)	(32 599)	(1 018 235)
Transfers into level 3	—	—	—	4 746	4 746
Foreign exchange adjustments	1 624	43 498	(1)	2 352	47 473
Balance as at 31 March 2023	**45 125**	**1 293 046**	**4 005**	**109 083**	**1 451 259**

1. Comprises level 3 other debt securities, derivative financial instruments, other loans and advances and securities arising from trading.

For the year to £'000	Derivative financial instruments	Total
Company		
Liabilities		
Balance as at 1 April 2021	**11 956**	**11 956**
Total losses	2 304	2 304
In the income statement	2 304	2 304
Foreign exchange adjustments	558	558
Balance as at 31 March 2022	**14 818**	**14 818**
Total losses	6 516	6 516
In the income statement	6 516	6 516
Transfers out of level 3	(8)	(8)
Foreign exchange adjustments	672	672
Balance as at 31 March 2023	**21 998**	**21 998**

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

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
Company			
2023			
Total gains or (losses) included in the income statement for the period			
Net interest income	96 393	84 418	11 975
Investment income*	837	20 380	(19 543)
Trading income arising from customer flow	159	—	159
	97 389	**104 798**	**(7 409)**
Total gains or (losses) included in other comprehensive income for the period			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	433	433	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(256)	—	(256)
	177	**433**	**(256)**
2022			
Total gains or (losses) included in the income statement for the period			
Net interest income	64 888	57 047	7 841
Investment income	5 056	18 462	(13 406)
Trading loss arising from customer flow	(1 819)	—	(1 819)
	68 125	**75 509**	**(7 384)**
Total gains or (losses) included in other comprehensive income for the period			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	**440**	**(566)**

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

Level 2 financial assets and financial liabilities

The Company follows the Group's principal valuation techniques set out on page 166 in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

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14. Fair value hierarchy (continued)

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

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

At 31 March 2023	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	94 787	Potential impact on income statement		2 693	(5 251)
		Credit spreads	1.05%–1.87%	107	(253)
		Cash flow adjustments	CPR 14.81%	2	(9)
		Other	^	2 584	(4 989)
Derivative financial instruments	10 294	Potential impact on income statement		1 256	(1 034)
		Volatilities	7.5%–18.9%	13	(25)
		Underlying asset value	^^	1	(3)
		Other	^	1 242	(1 006)
Securities arising from trading activities	4 002	Potential impact on income statement			
		Cash flow adjustments	CPR 14.17%	206	(235)
Investment portfolio	45 125	Potential impact on income statement		4 670	(9 318)
		Underlying asset value	^^	2 367	(4 900)
		Other	^	2 303	(4 418)
Loans and advances to customers	1 293 046	Potential impact on income statement		16 642	(32 880)
		Credit spreads	0.28%–5.2%	10 994	(22 971)
		Underlying asset value	^^	1 293	(1 200)
		Other	^	4 355	(8 709)
		Potential impact on other comprehensive income		15 756	(31 758)
		Credit spreads	0.29%–5.5%	15 753	(31 751)
		Other	^	3	(7)
Other securitised assets	4 005	Potential impact on income statement			
		Cash flow adjustments	CPR 14.81%	336	(310)
Total level 3 assets	**1 451 259**			**41 559**	**(80 786)**
Liabilities					
Derivative financial instruments	21 998	Potential impact on income statement		(424)	1 040
		Discount rate	12.28%	(423)	1 038
		Volatilities	9%–18.9%	(1)	2
Total level 3 liabilities	**21 998**			**(424)**	**1 040**
Net level 3 assets	**1 429 261**				

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

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14. Fair value hierarchy (continued)

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	106 109	Potential impact on income statement		3 195	(5 845)
		Credit spreads	0.74%–2.75%	140	(284)
		Cash flow adjustments	CPR 4.4%	3	(4)
		Other	^	3 052	(5 557)
Derivative financial instruments	7 324	Potential impact on income statement		618	(1 235)
		Volatilities	5%–18.9%	15	(29)
		Underlying asset value	^^	1	(3)
		Other	^	602	(1 203)
Securities arising from trading activities	4 780	Potential impact on income statement			
		Cash flow adjustments	CPR 11%	481	(635)
Investment portfolio	68 944	Potential impact on income statement		7 358	(14 871)
		Underlying asset value	^^	1 450	(4 351)
		Other	^	5 908	(10 520)
Loans and advances to customers	1 191 573	Potential impact on income statement		15 910	(36 633)
		Credit spreads	0.15%–34.3%	10 656	(27 586)
		Underlying asset value	^^	3 183	(4 905)
		Other	^	2 071	(4 142)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%–6.17%	8 440	(15 725)
Other securitised assets	5 083	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	390	(490)
Other loans and advances	572	Potential impact on income statement			
		Underlying asset value	^^	152	—
Total level 3 assets	**1 384 385**			**36 544**	**(75 434)**
Liabilities					
Derivative financial instruments	14 818	Potential impact on income statement		(388)	820
		Discount rate	10.0%	(367)	785
		Volatilities	5%–18.9%	(21)	35
Total level 3 liabilities	**14 818**			**(388)**	**820**
Net level 3 assets	**1 369 567**				

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

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value of financial instruments at amortised cost

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy: Level 1	Level 2	Level 3
Group							
2023							
Assets							
Cash and balances at central banks	5 400 401	5 400 401	—	—	—	—	—
Loans and advances to banks	892 791	892 791	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	992 830	807 046	185 784	185 503	—	185 503	—
Sovereign debt securities	55 922	4 370	51 552	51 494	51 494	—	—
Bank debt securities	4 954	—	4 954	4 952	4 952	—	—
Other debt securities	603 283	42 611	560 672	554 892	—	554 892	—
Loans and advances to customers	14 173 866	611 611	13 562 255	13 426 192	—	1 016 299	12 409 893
Other loans and advances	172 087	99 188	72 899	72 976	—	72 976	—
Other assets	612 197	612 197	—	—	—	—	—
	22 908 331	**8 470 215**	**14 438 116**	**14 296 009**			
Liabilities							
Deposits by banks	2 172 170	373 944	1 798 226	1 804 116	—	1 804 116	—
Repurchase agreements and cash collateral on securities lent	139 529	85 070	54 459	52 486	—	52 486	—
Customer accounts (deposits)	19 251 399	10 556 163	8 695 236	8 654 686	—	8 654 686	—
Debt securities in issue	1 119 325	1 183	1 118 142	1 093 330	621 480	471 850	—
Other liabilities	622 337	619 707	2 630	1 572	—	—	1 572
Subordinated liabilities	731 483	—	731 483	713 119	713 119	—	—
	24 036 243	**11 636 067**	**12 400 176**	**12 319 309**			

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

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

Financial instruments for which fair value does not approximate carrying value

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

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy: Level 1	Level 2	Level 3
Group							
2022							
Assets							
Cash and balances at central banks	5 379 994	5 379 994	—	—	—	—	—
Loans and advances to banks	1 467 039	1 467 039	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088	—	115 088	—
Other debt securities	293 601	7 601	286 000	285 840	12 961	272 879	—
Loans and advances to customers	13 132 006	521 321	12 610 685	12 593 362	—	1 022 302	11 571 060
Other loans and advances	147 025	85 782	61 243	61 253	—	61 253	—
Other assets	822 300	822 300	—	—	—	—	—
	22 020 330	**8 946 188**	**13 074 142**	**13 055 543**			
Liabilities							
Deposits by banks	2 026 573	280 386	1 746 187	1 654 635	—	1 654 635	—
Repurchase agreements and cash collateral on securities lent	154 828	103 729	51 099	49 243	—	49 243	—
Customer accounts (deposits)	18 616 233	12 001 165	6 615 068	6 616 337	—	6 616 337	—
Debt securities in issue	1 074 649	1 183	1 073 466	1 076 817	483 649	593 168	—
Other liabilities	805 880	802 453	3 427	2 419	—	—	2 419
Subordinated liabilities	758 739	—	758 739	767 436	767 436	—	—
	23 436 902	**13 188 916**	**10 247 986**	**10 166 887**			

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

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

Fixed rate financial instruments

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

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

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

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

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

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Company							
2023							
Assets							
Cash and balances at central banks	5 380 346	5 380 346	—	—	—	—	—
Loans and advances to banks	237 897	237 897	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	992 830	807 046	185 784	185 503	—	185 503	—
Sovereign debt securities	9 865	—	9 865	9 862	9 862	—	—
Bank debt securities	4 954	—	4 954	4 952	4 952	—	—
Other debt securities	1 309 406	748 734	560 672	554 892	—	554 892	—
Loans and advances to customers	10 534 443	290 669	10 243 774	10 207 579	—	—	10 207 579
Other loans and advances	3 199 833	3 126 934	72 899	72 976	—	72 976	—
Other assets	366 195	366 195	—	—	—	—	—
	22 035 769	**10 957 821**	**11 077 948**	**11 035 764**			
Liabilities							
Deposits by banks	2 524 081	725 854	1 798 227	1 804 116	—	1 804 116	—
Repurchase agreements and cash collateral on securities lent	289 529	235 070	54 459	52 486	—	52 486	—
Customer accounts (deposits)	17 953 810	9 455 841	8 497 969	8 457 413	—	8 457 413	—
Debt securities in issue	1 118 142	—	1 118 142	1 093 330	621 480	471 850	—
Other liabilities	384 410	381 780	2 630	1 572	—	—	1 572
Subordinated liabilities	731 483	—	731 483	713 119	713 119	—	—
	23 001 455	**10 798 545**	**12 202 910**	**12 122 036**			

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

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

Financial instruments for which fair value does not approximate carrying value

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

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

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy: Level 1	Level 2	Level 3
Company							
2022							
Assets							
Cash and balances at central banks	5 326 533	5 326 533	—	—	—	—	—
Loans and advances to banks	535 738	535 738	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088	—	115 088	—
Other debt securities	998 897	713 710	285 187	285 010	12 961	272 049	—
Loans and advances to customers	9 736 981	244 574	9 492 407	9 470 954	—	—	9 470 954
Other loans and advances	3 026 590	2 965 346	61 244	61 253	—	61 253	—
Other assets	531 429	531 429	—	—	—	—	—
	20 934 533	**10 979 481**	**9 955 052**	**9 932 305**			
Liabilities							
Deposits by banks	2 214 555	468 368	1 746 187	1 654 635	—	1 654 635	—
Repurchase agreements and cash collateral on securities lent	197 903	146 804	51 099	49 243	—	49 243	—
Customer accounts (deposits)	17 290 014	10 741 995	6 548 019	6 549 281	—	6 549 281	—
Debt securities in issue	1 073 466	—	1 073 466	1 076 817	483 649	593 168	—
Other liabilities	482 028	478 602	3 426	2 419	—	—	2 419
Subordinated liabilities	758 739	—	758 739	767 436	767 436	—	—
	22 016 705	**11 835 769**	**10 180 936**	**10 099 831**			

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

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16. Designated at fair value

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

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

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

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16. Designated at fair value (continued)

At 31 March £'000	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk* Current	Change in fair value attributable to credit risk* Cumulative	Maximum exposure to credit risk
Company						
Assets						
2023						
Other debt securities	1 094	(218)	154	(218)	154	1 094
Securities arising from trading activities	12 916	930	(638)	(120)	(57)	12 916
Other securitised assets	4 005	(1 078)	4 005	(1 078)	4 005	4 005
	18 015	**(366)**	**3 521**	**(1 416)**	**4 102**	**18 015**
2022						
Reverse repurchase agreements and cash collateral on securities borrowed	38 649	89	284	—	—	—
Other debt securities	1 261	(138)	197	(138)	197	1 261
Securities arising from trading activities	20 353	379	50	6	95	20 353
Other securitised assets	5 083	(691)	5 083	(691)	5 083	5 083
	65 346	**(361)**	**5 614**	**(823)**	**5 375**	**26 697**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk* Current	Change in fair value attributable to credit risk* Cumulative
Liabilities						
2023						
Debt securities in issue	21 554	20 097	(274)	5 146	(85)	(67)
	21 554	**20 097**	**(274)**	**5 146**	**(85)**	**(67)**
2022						
Debt securities in issue	46 192	41 266	5 139	9 452	7	(43)
	46 192	**41 266**	**5 139**	**9 452**	**7**	**(43)**

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

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17. Cash and balances at central banks

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross cash and balances at central banks	5 400 401	5 379 994	5 380 346	5 326 533
Expected credit loss	—	—	—	—
Net cash and balances at central banks	**5 400 401**	**5 379 994**	**5 380 346**	**5 326 533**
The country risk of cash and bank balances at central banks lies in the following geographies:				
United Kingdom	5 380 357	5 326 540	5 380 346	5 326 533
Europe (excluding UK)	20 044	53 454	—	—
	5 400 401	**5 379 994**	**5 380 346**	**5 326 533**

18. Loans and advances to banks

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross loans and advances to banks	892 862	1 467 132	237 916	535 768
Expected credit loss	(71)	(93)	(19)	(30)
Net loans and advances to banks	**892 791**	**1 467 039**	**237 897**	**535 738**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	6 763	9 966	45 710	5 287
United Kingdom	511 777	555 799	69 107	125 443
Europe (excluding UK)	287 669	706 867	63 928	287 805
Australia	14 313	41 096	10 187	21 717
North America	62 609	143 857	46 434	93 670
Asia	8 446	9 086	1 535	1 597
Other	1 214	368	996	219
	892 791	**1 467 039**	**237 897**	**535 738**

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

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 338 711	1 447 485	1 338 711	1 447 485
Expected credit loss	(12)	(12)	(12)	(12)
Net reverse repurchase agreements and cash collateral on securities borrowed	**1 338 699**	**1 447 473**	**1 338 699**	**1 447 473**
Reverse repurchase agreements	1 328 235	1 408 503	1 328 235	1 408 503
Cash collateral on securities borrowed	10 464	38 970	10 464	38 970
	1 338 699	**1 447 473**	**1 338 699**	**1 447 473**
As part of the reverse repurchase and securities borrowing agreements the Group has received securities that it is allowed to sell or repledge. £90 million (2022: £76 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	118 373	129 092	268 373	172 167
Cash collateral on securities lent	21 156	25 736	21 156	25 736
	139 529	**154 828**	**289 529**	**197 903**

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

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20. Sovereign debt securities

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross sovereign debt securities	1 221 744	1 165 777	372 741	323 494
Expected credit loss	—	—	—	—
Net sovereign debt securities	**1 221 744**	**1 165 777**	**372 741**	**323 494**
The country risk of sovereign debt securities lies in the following geographies:				
United Kingdom	348 827	378 941	58 783	63 388
Europe (excluding UK)*	190 232	93 004	120 154	60 267
North America	682 685	693 832	193 804	199 839
	1 221 744	**1 165 777**	**372 741**	**323 494**

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

21. Bank debt securities

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross bank debt securities	204 691	61 714	200 590	57 844
Expected credit loss	—	—	—	—
Net bank debt securities	**204 691**	**61 714**	**200 590**	**57 844**
Bonds	200 590	57 844	200 590	57 844
Floating rate notes	4 101	3 870	—	—
	204 691	**61 714**	**200 590**	**57 844**
The country risk of bank debt securities lies in the following geographies:				
United Kingdom	122 690	46 622	122 662	46 619
Europe (excluding UK)	71 873	15 092	67 800	11 225
Australia	10 128	—	10 128	—
	204 691	**61 714**	**200 590**	**57 844**

22. Other debt securities

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross other debt securities	697 837	442 868	1 404 815	1 149 203
Expected credit loss	(562)	(5 219)	(562)	(5 179)
Net other debt securities	**697 275**	**437 649**	**1 404 253**	**1 144 024**
Bonds	120 510	119 766	826 394	824 880
Commercial paper	—	9 888	—	9 888
Asset-backed securities	576 765	307 995	577 859	309 256
	697 275	**437 649**	**1 404 253**	**1 144 024**
The country risk of other debt securities lies in the following geographies:				
United Kingdom	108 175	114 340	815 392	821 708
Europe (excluding UK)	140 937	67 666	140 937	67 666
North America	400 496	207 392	400 496	206 581
Asia	47 667	48 251	47 428	48 069
	697 275	**437 649**	**1 404 253**	**1 144 024**

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23. Derivative financial instruments

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

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

	2023			2022		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	15 680 009	186 867	142 523	16 862 873	157 697	137 754
Currency swaps	678 329	9 484	8 724	1 117 700	12 176	10 113
OTC options bought and sold	1 877 070	24 153	22 865	2 212 297	11 820	18 665
	18 235 408	**220 504**	**174 112**	**20 192 870**	**181 693**	**166 532**
Interest rate derivatives						
Caps and floors	10 576 158	155 330	150 118	9 424 942	65 094	57 797
Swaps	46 254 022	74 981	160 283	40 601 552	52 858	81 495
OTC derivatives	**56 830 180**	**230 311**	**310 401**	**50 026 494**	**117 952**	**139 292**
Exchange traded futures	—	—	—	—	—	—
	56 830 180	**230 311**	**310 401**	**50 026 494**	**117 952**	**139 292**
Equity and stock index derivatives						
OTC options bought and sold	1 604 247	63 258	120 243	2 920 599	101 194	212 995
Equity swaps and forwards	6 343	173	—	392 379	2 875	11 138
OTC derivatives	**1 610 590**	**63 431**	**120 243**	**3 312 978**	**104 069**	**224 133**
Exchange traded futures	225 212	—	—	169 227	—	—
Exchange traded options	11 453 984	55 231	45	15 492 162	—	25 831
Warrants	—	—	—	—	19	—
	13 289 786	**118 662**	**120 288**	**18 974 367**	**104 088**	**249 964**
Commodity derivatives						
OTC options bought and sold	251 899	39 853	59 145	235 387	40 978	51 206
Commodity swaps and forwards	721 125	45 219	38 152	1 236 254	255 652	253 713
	973 024	**85 072**	**97 297**	**1 471 641**	**296 630**	**304 919**
Credit derivatives	**138 862**	**20 670**	**2 718**	**218 806**	**11 065**	**2 588**
Other derivatives		**5 043**			**6 029**	
Derivatives per balance sheet		**680 262**	**704 816**		**717 457**	**863 295**

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23. Derivative financial instruments (continued)

	2023			2022		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Company						
Foreign exchange derivatives						
Forward foreign exchange contracts	13 786 504	177 418	133 701	15 169 653	149 421	132 301
Currency swaps	653 113	6 252	7 806	1 050 055	8 942	9 377
OTC options bought and sold	1 818 939	22 616	22 565	2 205 010	11 806	18 591
	16 258 556	**206 286**	**164 072**	**18 424 718**	**170 169**	**160 269**
Interest rate derivatives						
Caps and floors	10 147 991	155 330	140 553	9 178 665	65 094	55 736
Swaps	46 181 646	74 988	177 968	40 519 725	52 464	85 404
Forward rate agreements	—	—	2 627	—	—	17 340
OTC derivatives	**56 329 637**	**230 318**	**321 148**	**49 698 390**	**117 558**	**158 480**
Exchange traded futures	—	—	—	—	—	—
	56 329 637	**230 318**	**321 148**	**49 698 390**	**117 558**	**158 480**
Equity and stock index derivatives						
OTC options bought and sold	1 604 247	63 258	120 243	2 919 930	101 194	212 995
Equity swaps and forwards	6 343	173	—	392 379	2 875	11 138
OTC derivatives	**1 610 590**	**63 431**	**120 243**	**3 312 309**	**104 069**	**224 133**
Exchange traded futures	225 212	—	—	169 227	—	—
Exchange traded options	11 453 984	55 231	45	15 492 162	—	25 831
Warrants	—	—	—	—	19	—
	13 289 786	**118 662**	**120 288**	**18 973 698**	**104 088**	**249 964**
Commodity derivatives						
OTC options bought and sold	11 448	5 178	21 853	9 108	7 777	20 410
Commodity swaps and forwards	649 958	39 740	35 521	1 167 253	255 438	236 694
	661 406	**44 918**	**57 374**	**1 176 361**	**263 215**	**257 104**
Credit derivatives	**138 862**	**20 670**	**2 718**	**218 806**	**11 065**	**2 588**
Other derivatives		**5 043**			**6 029**	
Derivatives per balance sheet		**625 897**	**665 600**		**672 124**	**828 405**

24. Securities arising from trading activities

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

25. Investment portfolio

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Listed equities*	1 664	2 036	530	454
Unlisted equities**	309 954	331 185	46 004	69 775
	311 618	**333 221**	**46 534**	**70 229**

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

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

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

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross loans and advances to customers at amortised cost	14 314 591	13 262 811	10 636 309	9 822 661
Gross loans and advances to customers at FVOCI^	843 428	685 386	843 428	685 386
Gross loans and advances to customers subject to expected credit losses	**15 158 019**	**13 948 197**	**11 479 737**	**10 508 047**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(140 725)	(130 805)	(101 866)	(85 680)
Net loans and advances to customers at amortised cost and FVOCI^	**15 017 294**	**13 817 392**	**11 377 871**	**10 422 367**
Loans and advances to customers at fair value through profit and loss	550 515	609 083	449 618	508 076
Net loans and advances to customers	**15 567 809**	**14 426 475**	**11 827 489**	**10 930 443**
Gross other loans and advances	172 180	147 073	3 206 224	3 039 905
Expected credit losses on other loans and advances	(93)	(48)	(6 391)	(13 315)
Net other loans and advances at amortised cost	**172 087**	**147 025**	**3 199 833**	**3 026 590**
Other loans and advances at fair value through profit and loss	—	—	—	572
Net other loans and advances	**172 087**	**147 025**	**3 199 833**	**3 027 162**

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

For further analysis on loans and advances for the Group, refer to pages 243 to 248 in the notes to risk and capital management, for the Company pages 274 to 275.

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

At 31 March £'000	Group 2023	Company 2023
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^		
Balance as at 1 April 2021	**164 167**	**120 451**
Charge to the income statement	24 413	15 381
Reversals and recoveries recognised in the income statement	(369)	(309)
Write-offs	(58 647)	(51 013)
Exchange adjustments	1 241	1 169
Balance as at 31 March 2022	**130 805**	**85 679**
Charge to the income statement	53 592	43 499
Reversals and recoveries recognised in the income statement	(1 094)	(1 094)
Write-offs	(45 684)	(29 429)
Exchange adjustments	3 106	3 211
Balance as at 31 March 2023	**140 725**	**101 866**
Expected credit loss of other loans and advances		
Balance as at 1 April 2021	**109**	**8 044**
Charge to the income statement	14	7 087
Write-offs	—	(1 816)
Exchange adjustments	(75)	—
Balance as at 31 March 2022	**48**	**13 315**
Charge to the income statement	57	464
Write-offs	—	(7 388)
Exchange adjustments	(12)	—
Balance as at 31 March 2023	**93**	**6 391**

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

27. Securitised assets and liabilities arising on securitisation

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

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28. Interests in associated undertakings and joint venture holdings

For the year to 31 March £'000	2023	2022
Group		
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	5 011	5 689
Goodwill	5 840	5 755
Investment in associated undertakings and joint venture holdings	**10 851**	**11 444**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	5 689	4 074
Exchange adjustments	228	136
Acquisitions	—	3 493
Disposals	(565)	—
Impairment	(282)	—
Share of post-taxation profits of associates and joint venture holdings^	1 081	2 274
Dividends received	(1 140)	(4 288)
At the end of the year	**5 011**	**5 689**
Analysis of the movement in goodwill:		
At the beginning of the year	5 755	139
Exchange adjustments	224	(104)
Acquisitions	—	5 720
Impairment	(139)	—
At the end of the year	**5 840**	**5 755**

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

For the year to 31 March £'000	2023	2022
Company		
Analysis of the movement in investment:		
At the beginning of the year	2 167	584
Exchange adjustments	134	52
Acquisitions	—	1 573
Disposals	—	(42)
At the end of the year	**2 301**	**2 167**
Provision for impairment in value:		
At the beginning of the year	—	—
Disposals	—	—
At the end of the year	**—**	**—**
Net book value at the end of the year	**2 301**	**2 167**

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29. Deferred taxation

	Group		Company	
At 31 March £'000	2023	2022	2023	2022
Deferred taxation assets	111 513	109 542	59 833	70 214
Deferred taxation liabilities	—	—	—	—
Net deferred taxation assets	**111 513**	**109 542**	**59 833**	**70 214**
The net deferred taxation assets arise from:				
Deferred capital allowances	60 249	48 634	5 515	6 952
Income and expenditure accruals	3 404	2 212	213	618
Asset in respect of unexpired options	30 859	28 343	29 654	26 785
Unrealised fair value adjustments on financial instruments	25 584	31 033	24 451	29 672
Losses carried forward	2 079	8 166	—	6 187
Asset in respect of pension deficit	372	383	—	—
Deferred tax on acquired intangibles	(11 034)	(9 229)	—	—
Net deferred taxation assets	**111 513**	**109 542**	**59 833**	**70 214**
Reconciliation of net deferred taxation assets				
At the beginning of the year	**109 542**	**89 197**	**70 214**	**64 570**
Release/(charge) to income statement – current year taxation	9 577	24 353	(5 876)	9 377
Movement directly in other comprehensive income	(4 738)	(3 677)	(4 505)	(3 733)
Arising on acquisitions/disposals	(2 998)	(463)	—	—
Exchange adjustments	130	132	—	—
At the end of the year	**111 513**	**109 542**	**59 833**	**70 214**

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

There are trading losses carried forward of £99.5 million (2022: £78.7 million). Company: £25.3 million (2022 Company: £nil) and capital losses carried forward of £87.8 million (2022: £50.6 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised. Of the £99.5 million trading losses, £12.0 million will expire in the next five years.

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

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

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

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30. Other assets

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Gross other assets	993 385	1 161 549	446 286	615 033
Expected credit loss	—	—	—	—
Net other assets	**993 385**	**1 161 549**	**446 286**	**615 033**
Settlement debtors	500 890	736 583	288 144	474 557
Trading properties	75 000	4 287	—	—
Prepayments and accruals	93 205	95 677	55 867	55 381
Trading initial margin	10 327	9 606	10 327	9 606
Finance lease receivables	207 203	223 902	—	—
Indirect taxation assets receivable	1 043	1 109	963	1 109
Other	105 717	90 385	90 985	74 380
	993 385	**1 161 549**	**446 286**	**615 033**

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31. Property and equipment

At 31 March £'000	Freehold properties	Right-of-use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
Group							
2023							
Cost							
At the beginning of the year	36	139 730	76 416	7 035	23 046	3 466	249 729
Exchange adjustments	—	557	2 789	22	35	—	3 403
Acquisition of subsidiaries	—	—	—	—	183	—	183
Additions	—	7 165	2 222	72	3 318	—	12 777
Disposals	—	(5 622)	(24 045)	—	(252)	(2 035)	(31 954)
At the end of the year	**36**	**141 830**	**57 382**	**7 129**	**26 330**	**1 431**	**234 138**
Accumulated depreciation							
At the beginning of the year	(36)	(45 206)	(25 304)	(3 612)	(17 295)	(3 221)	(94 674)
Exchange adjustments	—	(228)	(50)	(18)	(29)	—	(325)
Acquisition of subsidiaries	—	—	—	—	(167)	—	(167)
Disposals	—	4 076	119	—	246	1 992	6 433
Depreciation and impairment charge for the year		(14 500)	(5 946)	(540)	(3 349)	(56)	(24 391)
At the end of the year	**(36)**	**(55 858)**	**(31 181)**	**(4 170)**	**(20 594)**	**(1 285)**	**(113 124)**
Net carrying value	**—**	**85 972**	**26 201**	**2 959**	**5 736**	**146**	**121 014**
2022							
Cost							
At the beginning of the year	36	141 376	80 844	7 394	25 697	5 721	261 068
Exchange adjustments	—	215	632	8	(1)	—	854
Additions	—	4 653	930	32	1 434	5	7 054
Disposals	—	(6 514)	(5 990)	(399)	(4 084)	(2 260)	(19 247)
At the end of the year	**36**	**139 730**	**76 416**	**7 035**	**23 046**	**3 466**	**249 729**
Accumulated depreciation							
At the beginning of the year	(36)	(29 316)	(21 039)	(3 327)	(16 653)	(5 195)	(75 566)
Exchange adjustments	—	(109)	(9)	(8)	(4)	—	(130)
Disposals	—	1 869	2 233	289	3 785	2 178	10 354
Depreciation and impairment charge for the year	—	(17 650)	(6 489)	(566)	(4 423)	(204)	(29 332)
At the end of the year	**(36)**	**(45 206)**	**(25 304)**	**(3 612)**	**(17 295)**	**(3 221)**	**(94 674)**
Net carrying value	**—**	**94 524**	**51 112**	**3 423**	**5 751**	**245**	**155 055**

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

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31. Property and equipment (continued)

At 31 March £'000	Right-of-use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Total
Company					
2023					
Cost					
At the beginning of the year	62 023	41 191	5 460	15 036	123 710
Additions	—	—	41	1 636	1 677
Disposals	(2 406)	—	—	—	(2 406)
At the end of the year	**59 617**	**41 191**	**5 501**	**16 672**	**122 981**
Accumulated depreciation					
At the beginning of the year	(22 456)	(16 110)	(2 089)	(12 541)	(53 196)
Disposals	1 156	—	—	—	1 156
Depreciation and impairment charge for the year	(5 979)	(4 290)	(520)	(1 575)	(12 364)
At the end of the year	**(27 279)**	**(20 400)**	**(2 609)**	**(14 116)**	**(64 404)**
Net carrying value	**32 338**	**20 791**	**2 892**	**2 556**	**58 577**
2022					
Cost					
At the beginning of the year	60 728	41 191	5 460	14 355	121 734
Additions	1 295	—	—	681	1 976
At the end of the year	**62 023**	**41 191**	**5 460**	**15 036**	**123 710**
Accumulated depreciation					
At the beginning of the year	(13 246)	(11 820)	(1 571)	(10 260)	(36 897)
Depreciation and impairment charge for the year	(9 210)	(4 290)	(518)	(2 281)	(16 299)
At the end of the year	**(22 456)**	**(16 110)**	**(2 089)**	**(12 541)**	**(53 196)**
Net carrying value	**39 567**	**25 081**	**3 371**	**2 495**	**70 514**

^ Right-of-use assets primarily comprise property leases under IFRS 16.

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32. Goodwill

At 31 March £'000	2023	2022
Cost		
At the beginning of the year	276 145	279 280
Acquisition of subsidiaries	6 236	—
Disposal of subsidiaries	—	(3 135)
At the end of the year	**282 381**	**276 145**
Accumulated impairments		
At the beginning of the year	(32 073)	(35 208)
Impairments	(805)	—
Disposal of subsidiaries	—	3 135
At the end of the year	**(32 878)**	**(32 073)**
Net carrying value	**249 503**	**244 072**
Analysis of goodwill by line of business:		
Wealth & Investment	247 375	241 139
Specialist Banking	2 128	2 933
Total Group	**249 503**	**244 072**

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

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

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

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Investec Wealth & Investment, goodwill of £247.4 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.65% (2022: 9.2%) which incorporates an expected revenue growth rate of 2% in perpetuity (2022: 2%). The valuation is based on value in use of the business.

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

For Investec Specialist Banking, the goodwill of £2.1 million is made up of a number of individual cash-generating units within the line of business. These cash-generating units are assessed for impairment considering current performance and budgets. There are no indications of impairment from the review of these balances except as discussed below in relation to Investec Capital Solutions.

Movement in goodwill

During the year ended 31 March 2023, goodwill increased by £6.2 million as a result of the acquisition within Investec Wealth & Investment of Murray Asset Management, and write-off of £0.8 million in relation to Investec Capital Solutions as a result of operating losses incurred by the business in the current and prior years.

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

At 31 March £'000	Software: Acquired software	Software: Internally generated software	Software: Total	Other acquired intangible assets: Client relationships*	Other acquired intangible assets: Total	Total
Group						
2023						
Cost						
At the beginning of the year	24 932	3 104	28 036	181 019	181 019	209 055
Exchange adjustments	230	—	230	—	—	230
Acquisition of subsidiaries	—	194	194	10 882	10 882	11 076
Additions	4 659	—	4 659	1 458	1 458	6 117
Disposals	(18)	—	(18)	—	—	(18)
At the end of the year	**29 803**	**3 298**	**33 101**	**193 359**	**193 359**	**226 460**
Accumulated amortisation and impairments						
At the beginning of the year	(20 453)	(517)	(20 970)	(136 874)	(136 874)	(157 844)
Exchange adjustments	(195)	—	(195)	—	—	(195)
Acquisition of subsidiaries	—	(105)	(105)	27	27	(78)
Disposals	18	—	18	—	—	18
Amortisation	(1 802)	(632)	(2 434)	(12 625)	(12 625)	(15 059)
At the end of the year	**(22 432)**	**(1 254)**	**(23 686)**	**(149 472)**	**(149 472)**	**(173 158)**
Net carrying value	**7 371**	**2 044**	**9 415**	**43 887**	**43 887**	**53 302**
2022						
Cost						
At the beginning of the year	24 398	1 702	26 100	180 556	180 556	206 656
Exchange adjustments	188	—	188	—	—	188
Additions	669	1 402	2 071	463	463	2 534
Disposals	(323)	—	(323)	—	—	(323)
At the end of the year	**24 932**	**3 104**	**28 036**	**181 019**	**181 019**	**209 055**
Accumulated amortisation and impairments						
At the beginning of the year	(18 309)	—	(18 309)	(123 938)	(123 938)	(142 247)
Exchange adjustments	(145)	—	(145)	—	—	(145)
Disposals	298	—	298	—	—	298
Amortisation	(2 297)	(517)	(2 814)	(12 936)	(12 936)	(15 750)
At the end of the year	**(20 453)**	**(517)**	**(20 970)**	**(136 874)**	**(136 874)**	**(157 844)**
Net carrying value	**4 479**	**2 587**	**7 066**	**44 145**	**44 145**	**51 211**

* Client relationships are acquired intangibles.

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33. Software and other acquired intangible assets (continued)

At 31 March £'000	Acquired software
Company	
2023	
Cost	
At the beginning of the year	2 705
Additions	312
At the end of the year	**3 017**
Accumulated amortisation and impairments	
At the beginning of the year	(2 671)
Amortisation	(108)
At the end of the year	**(2 779)**
Net carrying value	**238**
2022	
Cost	
At the beginning of the year	2 705
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(2 160)
Amortisation	(511)
At the end of the year	**(2 671)**
Net carrying value	**34**

34. Acquisitions and disposals

Group and Company

During the year, the Group acquired Murray Asset Management for a net cash consideration of £9.7 million. There were no significant disposals of subsidiaries during the year.

There were no significant acquisitions nor any significant disposals of subsidiaries during the prior year.

35. Other trading liabilities

At 31 March £'000	Group and Company 2023	Group and Company 2022
Short positions		
– Equities	28 184	42 944
	28 184	**42 944**

NOTES TO THE FINANCIAL STATEMENTS
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36. Debt securities in issue

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Repayable in:				
Less than three months	28 447	12 482	28 458	12 493
Three months to one year	138 265	71 796	138 265	71 796
One to five years	962 545	1 022 555	962 545	1 022 555
Greater than five years	11 622	14 008	10 428	12 814
	1 140 879	**1 120 841**	**1 139 696**	**1 119 658**

37. Other liabilities

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Settlement liabilities	411 824	612 767	204 366	322 961
Other creditors and accruals	335 946	287 780	208 121	181 197
Lease liabilities	322 767	344 802	46 060	53 578
Other non-interest-bearing liabilities	101 370	97 899	90 345	110 206
Indirect taxation liabilities payable	10 701	8 444	—	127
Expected credit losses on undrawn commitments and guarantees	15 659	8 379	15 549	8 340
	1 198 267	**1 360 071**	**564 441**	**676 409**

The maturity analysis of the lease liabilities is shown below:

At 31 March £'000	2023 Undiscounted lease payments	2023 Present value	2022 Undiscounted lease payments	2022 Present value
Group				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	60 631	57 770	54 032	51 272
One to five years	269 789	245 286	290 977	259 482
Later than five years	20 919	19 711	34 998	34 048
	351 339	**322 767**	**380 007**	**344 802**

At 31 March £'000	2023 Undiscounted lease payments	2023 Present value	2022 Undiscounted lease payments	2022 Present value
Company				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	10 602	9 660	9 384	8 453
One to five years	35 498	34 047	36 229	34 270
Later than five years	2 375	2 353	11 028	10 855
	48 475	**46 060**	**56 641**	**53 578**

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37. Other liabilities (continued)

Reconciliation from opening balance to closing balance

At 31 March £'000	Group 2023	Company 2023
Balance as at 1 April 2021	**387 165**	**61 952**
Interest on lease liabilities	11 120	1 010
New leases	2 665	—
Disposals	(11 812)	—
Repayment of lease liabilities	(54 374)	(9 384)
Remeasurement of lease liabilities	(281)	—
Exchange adjustments	10 319	—
Balance as at 31 March 2022	**344 802**	**53 578**
Interest on lease liabilities	13 235	868
New leases	3 009	—
Repayment of lease liabilities	(57 324)	(8 386)
Remeasurement of lease liabilities	4 114	—
Exchange adjustments	14 931	—
Balance as at 31 March 2023	**322 767**	**46 060**

NOTES TO THE FINANCIAL STATEMENTS
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38. Subordinated liabilities

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Issued by Investec Bank plc				
Subordinated fixed rate reset callable medium-term notes – amortised cost	731 483	758 739	731 483	758 739
	731 483	**758 739**	**731 483**	**758 739**
Remaining maturities:				
In one year or less, or on demand	—	—	—	—
In more than one year, but not more than two years	—	—	—	—
In more than two years, but not more than five years	—	—	—	—
In more than five years	731 483	758 739	731 483	758 739
	731 483	**758 739**	**731 483**	**758 739**
Reconciliation from opening balance to closing balance				
At the beginning of the year	**758 739**	**771 481**	**758 739**	**771 481**
New issue	345 590	347 536	345 590	347 536
Redemption	(347 925)	(307 962)	(347 925)	(307 962)
Fair value movement	—	(23 269)	—	(23 269)
Accrual of interest	32 501	48 505	32 501	48 505
Repayment of interest	(40 455)	(49 807)	(40 455)	(49 807)
Hedge accounting/amortisation of discount	(16 967)	(27 745)	(16 967)	(27 745)
At the end of the year	**731 483**	**758 739**	**731 483**	**758 739**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

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

On 24 July 2018, Investec Bank plc issued £420 000 000 of 4.25% subordinated notes due 2028 at a discount (2028 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 24 July 2028. The issuer has a one-time redemption option on the early redemption date 24 July 2023 subject to conditions. On 6 December 2022 Investec Bank plc completed a tender offer to purchase £350 000 000 aggregate nominal amount of the notes at a cash purchase price of 99.44644 pence plus an accrued interest payment. The total value of the debt redeemed was £353 605 000. The remaining notes in issue of £347 926 000 were redeemed on 6 December 2022.

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

On 4 October 2021, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 2.625% (2032 loan). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The loan will mature on 4 January 2032. The borrower may prepay the loan in full on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

Subordinated prepayable fixed rate resettable medium-term loan (denominated in Pounds Sterling) – accounted for at amortised cost

On 6 December 2022, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 9.125% (2033 Loan) Interest, after the initial short period distribution paid on 6 March 2023, is paid annually commencing on 6 March 2024 and ending on the maturity date. The loan will mature on 6 March 2033. The borrower may prepay the loan in full on any date in the period from 6 December 2027 to (and including) 6 March 2028 subject to conditions.

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39. Ordinary share capital

At 31 March £'000	Group and Company 2023	Group and Company 2022
Authorised		
The authorised share capital is £2 000 million (2022: £2 000 million) comprising:		
2 000 million ordinary shares of £1 each (2022: 2 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	1 280 550 000	1 280 550 000
Issued during the year	—	—
At the end of the year	**1 280 550 000**	**1 280 550 000**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	1 280 550	1 280 550
Issued during the year	—	—
At the end of the year	**1 280 550**	**1 280 550**

40. Additional Tier 1 securities in issue

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	250 000	**250 000**	250 000

On 16 October 2017, Investec Bank plc issued £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) to Investec plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. A further £50 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 million 2024 notes issued on 16 October 2018. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate of 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and investors will lose their entire investment in the securities should the CET1 capital ratio of Investec Bank plc, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

41. Non-controlling interests

At 31 March £'000	2023	2022
Group		
Non-controlling interests in partially held subsidiaries	**951**	833

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42. Finance lease disclosures

At 31 March £'000	2023 Total future minimum payments	2023 Present value	2022 Total future minimum payments	2022 Present value
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	234 669	194 458	230 003	193 281
One to five years	362 984	317 007	341 698	303 439
Later than five years	7 102	6 367	6 349	5 886
	604 755	**517 832**	**578 050**	**502 606**
Unearned finance income	**(86 923)**		**(75 444)**	
Net investment in the lease	**517 832**		**502 606**	

At 31 March 2023, unguaranteed residual values accruing to the benefit of the Group were £4.1 million (2022: £8.6 million). Finance leases in the Group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2023 Total future minimum payments	2023 Present value	2022 Total future minimum payments	2022 Present value
Group				
Finance lease receivables included in other assets				
Lease receivables due in:				
Less than one year	40 746	37 282	38 401	37 647
One to five years	194 893	169 921	220 606	185 509
Later than five years	—	—	748	746
	235 639	**207 203**	**259 755**	**223 902**
Unearned finance income	**(28 436)**		**(35 853)**	
Net investment in the lease	**207 203**		**223 902**	

The Company has no finance lease receivables at 31 March 2023 (31 March 2022: £nil).

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43. Notes to the cash flow statement

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:				
Profit before taxation	394 866	273 544	296 060	265 048
Adjustment for non-cash items included in net income before taxation:				
Impairment of goodwill	805	—	—	—
Impairment of subsidiary	—	—	23 619	9 994
Amortisation of acquired intangibles	12 625	12 936	—	—
Net (gain)/loss on disposal and liquidation of subsidiaries	(30)	632	1 312	2 990
Depreciation of operating lease assets	56	204	—	—
Depreciation and impairment of property, equipment, software and other intangibles	26 768	31 939	12 472	16 810
Expected credit loss impairment charges	66 740	25 363	49 533	29 113
Share of post-taxation profit of associates and joint venture holdings	(660)	(1 988)	—	—
Dividends received from subsidiaries	—	—	(88 873)	(147 848)
Dividends received from associates and joint venture holdings	1 140	4 288	—	—
Share-based payments and employee benefit liability recognised	6 704	3 244	4 586	2 147
Profit before taxation adjusted for non-cash items	**509 014**	**350 162**	**298 709**	**178 254**
(Increase)/decrease in operating assets				
Loans and advances to banks	530	53 038	(14 842)	38 821
Reverse repurchase agreements and cash collateral on securities borrowed	108 774	617 764	108 774	617 764
Sovereign debt securities	(55 967)	(57 522)	(49 247)	218 524
Bank debt securities	(143 007)	(13 675)	(142 776)	(14 068)
Other debt securities	(263 226)	267 337	(263 875)	253 818
Derivative financial instruments	64 830	55 989	73 862	70 745
Securities arising from trading activities	35 628	118 480	35 628	114 909
Investment portfolio	21 364	15 354	23 912	(3 430)
Other loans and advances	(25 119)	15 417	(165 627)	(226 060)
Loans and advances to customers	(1 195 731)	(2 108 692)	(941 351)	(1 583 405)
Securitised assets	14 856	14 172	1 078	691
Other assets	168 534	199 206	168 734	87 315
	(1 268 534)	**(823 132)**	**(1 165 730)**	**(424 376)**
Increase/(decrease) in operating liabilities				
Deposits by banks	145 597	674 294	309 526	762 810
Derivative financial instruments	(158 479)	(53 057)	(162 805)	(57 388)
Other trading liabilities	(14 760)	(6 111)	(14 760)	(6 111)
Repurchase agreements and cash collateral on securities lent	(15 299)	(2 529)	91 626	40 546
Customer accounts	635 166	2 375 599	663 796	1 796 240
Debt securities in issue	20 038	(72 537)	20 038	(43 392)
Liabilities arising on securitisation of other assets	(14 276)	(12 396)	—	—
Other liabilities	(162 474)	172 939	(138 642)	116 036
	435 513	**3 076 202**	**768 779**	**2 608 741**

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44. Commitments

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Undrawn facilities	2 345 034	1 956 967	2 299 155	1 927 360
Other commitments	44 628	45 528	—	8 969
	2 389 662	**2 002 495**	**2 299 155**	**1 936 329**

Commitments include expected credit losses (ECL) of £16 million (2022: £8 million) reported in other liabilities.

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on-balance sheet.

At 31 March £'000	Carrying amount of pledged assets 2023	Carrying amount of pledged assets 2022	Related liability 2023	Related liability 2022
Group				
Pledged assets				
Loans and advances to banks	44 670	48 273	39 810	40 589
Reverse repurchase agreements and cash collateral on securities borrowed	115 421	188 428	103 278	184 548
Sovereign debt securities	224 019	43 138	164 287	41 914
Bank debt securities	28 432	8 168	21 721	7 937
Securities arising from trading activities	35 139	47 957	34 031	46 114
Loans and advances to customers	708 860	612 670	494 892	595 290
Other loans and advances	8 121	7 998	7 160	6 724
	1 164 662	**956 632**	**865 179**	**923 116**
Company				
Pledged assets				
Loans and advances to banks	44 670	48 273	39 810	40 589
Reverse repurchase agreements and cash collateral on securities borrowed	115 421	188 428	103 278	186 128
Sovereign debt securities	224 019	43 138	164 287	42 412
Bank debt securities	28 432	8 168	21 721	7 251
Other debt securities	705 876	549 697	536 998	540 451
Securities arising from trading activities	35 139	47 957	34 031	46 114
Loans and advances to customers	708 860	612 670	494 892	602 364
Other loans and advances	8 121	7 998	7 160	6 724
	1 870 538	**1 506 329**	**1 402 177**	**1 472 033**

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

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45. Contingent liabilities and legal matters

At 31 March £'000	Group 2023	Group 2022	Company 2023	Company 2022
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	413 310	367 145	411 170	366 177
	413 310	**367 145**	**411 170**	**366 177**

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

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

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

Financial Services Compensation Scheme

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

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

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

Legal and regulatory matters

The Group operates in a legal and regulatory environment that exposes it to legal, regulatory and litigation risks. As a result, the Group is involved in disputes, legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations and other proceedings by regulators and competition authorities which arise in the ordinary course of business. The Group evaluates all facts, the probability of the outcome of the proceedings and advice from internal and external legal counsel when considering accounting and regulatory implications. At the present time the Group does not expect the ultimate resolution of any of these ongoing regulatory reviews and other matters to have a material adverse effect on its financial position.

Historical German dividend tax arbitrage transactions

Investec Bank plc has previously been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor. In addition, Investec Bank plc received certain enquiries in respect of client tax reclaims for the periods 2010-2011 relating to the historical German dividend arbitrage transactions from the German Federal Tax Office (FTO) in Bonn. Since issuing our 31 March 2022 Annual Report, the FTO has provided more information in relation to their claims and Investec Bank plc has sought further information and clarification.

Investec Bank plc is co-operating with the German authorities and continues to conduct its own internal investigation into the matters in question. A provision is held to reflect the estimate of financial outflows that could arise as a result of this matter. There are factual issues to be resolved which may have legal consequences, including financial penalties.

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

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

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46. Related party transactions

For the year to 31 March £'000	2023	2022
Compensation of key management personnel and directors		
Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24		
Related party transactions for the compensation of key management personnel and directors are disclosed in the directors' remuneration report on pages 92 to 104.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the Company, were as follows:		
Group and Company		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	11 109	6 148
Increase in loans	372	5 233
Decrease in loans*	(3 373)	(272)
At the end of the year	**8 108**	**11 109**
Guarantees		
At the beginning of the year	78	1 188
Additional guarantees granted	32	78
Decrease in guarantees*	—	(1 188)
Exchange adjustments	(10)	—
At the end of the year	**100**	**78**
Deposits		
At the beginning of the year	(6 321)	(5 200)
Increase in deposits	(3 255)	(2 083)
Decrease in deposits*	3 074	962
At the end of the year	**(6 502)**	**(6 321)**

* Decrease primarily relates to normal course of business and changes in directorship during the current year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

NOTES TO THE FINANCIAL STATEMENTS
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46. Related party transactions (continued)

For the year ended 31 March 2023 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Balances with other related parties			
Assets			
Loans and advances to banks		4 263	4 263
Derivative financial instruments	46 139	473	46 612
Other loans and advances	29 422	—	29 422
Other assets	4 582	1 394	5 976
Liabilities			
Deposits by banks	—	3 375	3 375
Derivative financial instruments	—	3 534	3 534
Customer accounts (deposits)	129 478	6 366	135 844
Repurchase agreements and cash collateral on securities lent	—	20 208	20 208
Other liabilities	—	30	30

For the year ended 31 March 2022 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Balances with other related parties			
Assets			
Loans and advances to banks	—	8 179	8 179
Bank debt securities	9 888	—	9 888
Derivative financial instruments	24 324	158	24 482
Other loans and advances	24 344	—	24 344
Other assets	6 056	1 418	7 474
Liabilities			
Deposits by banks	—	3 894	3 894
Derivative financial instruments	—	3 373	3 373
Customer accounts (deposits)	322 342	7 848	330 189
Repurchase agreements and cash collateral on securities lent	—	16 331	16 331
Other liabilities	—	10 455	10 455

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

In the normal course of business, services are provided between Investec Bank plc and other companies in the Investec Group. In the year to 31 March 2023, Investec Bank plc paid £22.2 million (2022: £19.7 million) to Investec Limited and its subsidiaries and received £3.5 million (2022: £1.2 million) from Investec plc and its subsidiaries for these services.

During the year to 31 March 2023, interest of £0.6 million (2022: £0.4 million) was paid to entities held by Investec Limited and £5.9 million (2022: £2.3 million) was paid to Investec plc and its subsidiaries. Interest of £762 000 (2022: £110 000) was received from Investec Limited and its subsidiaries and interest of £9.4 million (2022: £0.9 million) was received from Investec plc and its subsidiaries.

During the year to 31 March 2023, Investec Group held £74 000 (2022: £35 000) of customer accounts (deposits) from the Ninety One Group on-balance sheet.

During the year to 31 March 2023, the Investec Group paid £761 000 (2022: £nil) for services rendered in the ordinary course of business and received £24 000 (2022: £nil) from associates and joint venture holdings.

Due to the nature of the Group's business, there could be transactions with entities where some of the Group's directors may be mutual directors. These transactions are in the ordinary course of business and are on an arm's length basis.

46. Related party transactions (continued)

Balances and transactions between members of the Investec Bank plc Group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the Company and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the Group.

The Company, as a result of its position as parent of a Banking Group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the Company as follows:

For the year ended 31 March £'000	2023	2022
Company		
Assets		
Loans & Advances to Banks	40 237	—
Other debt securities	706 123	706 109
Derivative financial instruments	7 072	1 623
Other loans and advances	3 032 072	2 872 468
Other assets	26 313	61 120
Liabilities		
Deposits by banks	368 179	228 477
Derivative financial instruments	44 247	36 184
Customer accounts (deposits)	1 433 629	1 447 492
Repurchase agreements and cash collateral on securities lent	150 000	43 075
Other liabilities	44 365	37 825

Balances and transactions with Investec plc and Investec Limited and fellow subsidiaries of Investec Bank plc

The Company and its subsidiaries have balances due to and from its parent company, Investec plc, and Investec Limited and fellow subsidiaries. These are included on the balance sheet as follows:

For the year ended 31 March 2023 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Balances with other related parties			
Assets			
Loans and advances to banks	—	3 059	3 059
Derivative financial instruments	46 139	473	46 612
Other loans and advances	25 096	—	25 096
Other assets	2 661	5 653	8 314
Liabilities			
Deposits by banks	—	3 375	3 375
Derivative financial instruments	—	3 534	3 534
Customer accounts (deposits)	100 843	6 278	107 121
Repurchase agreements and cash collateral on securities lent	—	20 208	20 208

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46. Related party transactions (continued)

For the year ended 31 March 2022 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Balances with other related parties			
Assets			
Loans and advances to banks	—	3 592	3 592
Other debt securities	9 887	—	9 887
Derivative financial instruments	24 324	158	24 482
Other loans and advances	31 927	86	32 013
Other assets	6 113	7 619	13 732
Liabilities			
Deposits by banks	—	3 894	3 894
Derivative financial instruments	—	3 373	3 373
Customer accounts (deposits)	304 405	7 847	312 252
Repurchase agreements and cash collateral on securities lent	—	16 331	16 331
Other liabilities	1 666	10 466	12 132

47. Hedges

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

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

Fair value hedges

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

At 31 March £'000	Description of financial instrument designated as hedging instrument (All included within derivative financial instruments on the balance sheet)	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group							
2023							
Assets	Interest rate swap	2 486 101	181 173	187 307	108 415	(158 293)	(96 153)
Liabilities	Interest rate swap	5 591 029	(97 127)	(97 240)	(57 321)	95 899	56 206
		8 077 130	**84 046**	**90 067**	**51 094**	**(62 394)**	**(39 947)**
2022							
Assets	Interest rate swap	3 439 311	93 874	99 731	119 195	(97 852)	(118 836)
Liabilities	Interest rate swap	1 914 493	(42 296)	(42 296)	(41 850)	42 136	41 667
		5 353 804	**51 578**	**57 435**	**77 345**	**(55 716)**	**(77 169)**

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

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but the original hedging instrument remains in place.

NOTES TO THE FINANCIAL STATEMENTS
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47. Hedges (continued)

Included within balance sheet management and other trading activities in the income statement is a £10.9 million gain (2022: £0.2 million loss) arising from hedge ineffectiveness.

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

At 31 March £'000	Carrying amount of the hedged item 2023	2022
Hedged items		
Group		
Assets		
Sovereign debt securities	61 468	64 816
Other debt securities	15 363	2 977
Loans and advances to customers	2 152 411	3 250 658
Other assets*	91 662	116 704
Liabilities		
Debt securities in issue	679 656	578 185
Customer accounts (deposits)	4 501 412	951 517
Subordinated liabilities	312 872	331 753

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
Group							
2023							
Assets – notionals							
Sovereign debt securities	—	—	—	—	65 000	—	**65 000**
Other debt securities	—	—	—	—	4 490	11 234	**15 724**
Loans and advances to customers	165	9 469	25 555	52 874	839 971	1 382 532	**2 310 566**
Other assets*	2 765	5 545	8 388	17 052	57 912	—	**91 662**
Liabilities – notionals							
Debt securities in issue	—	—	—	—	526 883	200 000	**726 883**
Customer accounts (deposits)	275 634	343 652	690 451	2 784 016	420 393	—	**4 514 146**
Subordinated liabilities	—	—	—	—	—	350 000	**350 000**
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	70 000
Other debt securities	—	—	—	—	2 992	—	2 992
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	3 251 288
Other assets*	2 496	5 001	7 564	15 383	86 260	—	116 704
Liabilities – notionals							
Debt securities in issue	—	9 478	—	13 857	585 623	—	608 958
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	955 534
Subordinated liabilities	—	—	—	—	350 000	—	350 000

* Other assets includes aviation leasing related hedges.

NOTES TO THE FINANCIAL STATEMENTS
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47. Hedges (continued)

Fair value hedges

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

At 31 March £'000	Description of financial instrument designated as hedging instrument (All included within derivative financial instruments on the balance sheet)	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Company							
2023							
Assets	Interest rate swap	2 396 291	179 252	179 252	105 134	(152 628)	(93 403)
Liabilities	Interest rate swap	5 591 029	(97 127)	(97 240)	(57 321)	95 899	56 206
		7 987 320	**82 125**	**82 012**	**47 813**	**(56 729)**	**(37 197)**
2022							
Assets	Interest rate swap	3 324 281	94 957	94 957	112 587	(94 936)	(112 859)
Liabilities	Interest rate swap	1 914 493	(42 296)	(42 296)	(41 850)	42 136	41 667
		5 238 774	**52 661**	**52 661**	**70 737**	**(52 800)**	**(71 192)**

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

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but the original hedging instrument remains in place.

Included within balance sheet management and other trading activities in the income statement is a £10.9 million gain (2022: £0.2 million loss) arising from hedge ineffectiveness.

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

At 31 March £'000	Carrying amount of the hedged item 2023	2022
Hedged items		
Company		
Assets		
Sovereign debt securities	61 468	64 816
Other debt securities	15 363	2 977
Loans and advances to customers	2 152 411	3 250 658
Liabilities		
Debt securities in issue	679 656	578 185
Customer accounts (deposits)	4 501 412	951 517
Subordinated liabilities	312 872	331 753

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47. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
Company							
2023							
Assets – notionals							
Sovereign debt securities	—	—	—	—	65 000	—	**65 000**
Other debt securities	—	—	—	—	4 490	11 234	**15 724**
Loans and advances to customers	165	9 469	25 555	52 874	839 971	1 382 532	**2 310 566**
Liabilities – notionals							
Debt securities in issue	—	—	—	—	526 883	200 000	**726 883**
Customer accounts (deposits)	275 634	343 652	690 451	2 784 016	420 393	—	**4 514 146**
Subordinated liabilities	—	—	—	—	—	350 000	**350 000**
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	70 000
Other debt securities	—	—	—	—	2 992	—	2 992
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	3 251 288
Liabilities – notionals							
Debt securities in issue	—	9 478	—	13 857	585 623	—	608 958
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	955 534
Subordinated liabilities	—	—	—	—	350 000	—	350 000

Cash flow hedges

As the base rate of interest changes, the Group is exposed to variability in cash flows from both existing and highly probably future transactions. During the year the Group entered into interest rate swap transactions to mitigate that cash flow variability. The swaps were put into a formal hedge relationship, and accounted as cash flow hedges. There were no hedge relationships outstanding at year-end.

The aggregate expected cash flows were hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value were initially recognised in other comprehensive income and reclassified to the income statement when the cash flows affected the income statement.

A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement. Realisations to the income statement for cash flow hedges of £nil million (2022: £nil) are included in net interest income.

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

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2023								
Liabilities								
Deposits by banks	348 445	14 387	6 414	26 652	44 507	1 918 353	—	2 358 758
Derivative financial instruments	175 712	31 595	78 615	74 315	126 099	229 550	19 203	735 089
Derivative financial instruments – held for trading	165 152	—	—	—	—	—	—	165 152
Derivative financial instruments – held for hedging risk	10 560	31 595	78 615	74 315	126 099	229 550	19 203	569 937
Other trading liabilities	28 184	—	—	—	—	—	—	28 184
Repurchase agreements and cash collateral on securities lent	41 194	43 875	—	54 461	—	—	—	139 530
Customer accounts (deposits)	6 529 132	840 683	4 423 164	3 067 574	3 285 143	1 293 993	34	19 439 723
Debt securities in issue	—	3 348	35 179	82 354	83 172	883 741	201 416	1 289 210
Liabilities arising on securitisation of other assets	—	—	5 920	159	9 607	49 555	34 532	99 773
Other liabilities	37 213	487 919	12 797	35 866	32 174	17 370	5 322	628 661
Subordinated liabilities	—	—	7 963	2 975	9 188	246 400	855 312	1 121 838
Total on-balance sheet liabilities	**7 159 880**	**1 421 807**	**4 570 052**	**3 344 356**	**3 589 890**	**4 638 962**	**1 115 819**	**25 840 766**
Contingent liabilities	—	91	88 771	788	6 012	288 202	29 447	413 311
Commitments	167 414	72 597	55 524	167 819	218 945	1 382 284	400 955	2 465 538
Total liabilities	**7 327 294**	**1 494 495**	**4 714 347**	**3 512 963**	**3 814 847**	**6 309 448**	**1 546 221**	**28 719 615**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet, as the table incorporates all cash flows on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows, refer to page 263.

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

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2022								
Liabilities								
Deposits by banks	368 388	2 413	—	4 858	16 686	1 734 261	—	2 126 606
Derivative financial instruments	170 207	37 722	138 148	83 427	203 310	228 740	1 945	863 499
Derivative financial instruments – held for trading	129 465	—	—	—	—	—	—	129 465
Derivative financial instruments – held for hedging risk	40 742	37 722	138 148	83 427	203 310	228 740	1 945	734 034
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	—	—	—	51 099	—	154 828
Customer accounts (deposits)	8 029 329	620 694	3 519 417	3 340 521	1 993 074	1 145 866	18 146	18 667 047
Debt securities in issue	—	9 092	25 750	55 671	61 870	1 036 499	2 104	1 190 986
Liabilities arising on securitisation of other assets	—	—	3 459	3 322	6 632	43 125	62 856	119 394
Other liabilities*	73 703	640 959	16 562	10 316	49 769	5 494	9 208	806 011
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**8 726 663**	**1 372 517**	**3 703 336**	**3 515 965**	**2 340 529**	**4 353 234**	**945 897**	**24 958 141**
Contingent liabilities	928	620	61 979	2 032	74 416	190 213	36 957	367 145
Commitments	170 177	116 393	73 050	108 002	202 980	1 084 019	378 336	2 132 957
Total liabilities	**8 897 768**	**1 489 530**	**3 838 365**	**3 625 999**	**2 617 925**	**5 627 466**	**1 361 190**	**27 458 243**

* In the prior year disclosure, included within other liabilities was £589.2 million of undiscounted non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2023								
Liabilities								
Deposits by banks	706 058	14 382	5 414	21 955	44 507	1 918 353	—	2 710 669
Derivative financial instruments	160 113	28 369	74 407	71 722	123 548	218 679	19 035	695 873
Derivative financial instruments – held for trading	149 553	—	—	—	—	—	—	149 553
Derivative financial instruments – held for hedging risk	10 560	28 369	74 407	71 722	123 548	218 679	19 035	546 320
Other trading liabilities	28 184	—	—	—	—	—	—	28 184
Repurchase agreements and cash collateral on securities lent	41 194	43 875	150 000	54 461	—	—	—	289 530
Customer accounts (deposits)	5 103 255	642 188	3 718 299	3 060 178	3 377 680	2 240 516	19	18 142 135
Debt securities in issue	—	3 348	35 191	82 354	83 172	883 741	200 222	1 288 028
Other liabilities	58 544	251 024	3 286	32 064	29 236	7 937	2 319	384 410
Subordinated liabilities	—	—	7 963	2 975	9 188	246 400	855 312	1 121 838
Total on-balance sheet liabilities	**6 097 348**	**983 186**	**3 994 560**	**3 325 709**	**3 667 331**	**5 515 626**	**1 076 907**	**24 660 667**
Contingent liabilities	—	659	88 771	—	5 419	286 874	29 447	411 170
Commitments	66 407	53 540	55 457	166 958	216 131	1 380 685	399 273	2 338 451
Total liabilities	**6 163 755**	**1 037 385**	**4 138 788**	**3 492 667**	**3 888 881**	**7 183 185**	**1 505 627**	**27 410 288**

The balances in the above table will not agree directly to the balances in the Company balance sheet, as the table incorporates all cash flows on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2022								
Liabilities								
Deposits by banks	556 370	2 413	—	4 858	16 686	1 734 261	—	2 314 588
Derivative financial instruments	161 567	34 581	132 995	81 769	193 226	222 681	1 790	828 609
Derivative financial instruments – held for trading	120 825	—	—	—	—	—	—	120 825
Derivative financial instruments – held for hedging risk	40 742	34 581	132 995	81 769	193 226	222 681	1 790	707 784
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	43 075	—	—	51 099	—	197 903
Customer accounts (deposits)	6 238 454	501 272	3 009 799	3 342 665	2 132 974	2 109 779	18 131	17 353 074
Debt securities in issue	—	9 092	25 761	55 671	61 870	1 036 499	910	1 189 803
Other liabilities*	71 247	344 499	6 923	5 598	45 996	1 614	6 283	482 160
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**7 112 674**	**953 494**	**3 218 553**	**3 508 411**	**2 459 940**	**5 264 083**	**878 752**	**23 395 907**
Contingent liabilities	1 548	620	61 875	1 411	73 554	190 213	36 957	366 178
Commitments	57 269	106 194	73 917	104 165	198 726	1 084 019	378 336	2 002 626
Total liabilities	**7 171 491**	**1 060 308**	**3 354 345**	**3 613 987**	**2 732 220**	**6 538 315**	**1 294 045**	**25 764 711**

* In the prior year disclosure, included within other liabilities was £197.4 million of undiscounted non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Principal subsidiaries and associated companies and joint venture holdings – Investec Bank plc

At 31 March	Principal activity	Country of incorporation	Interest 2023	Interest 2022
Direct subsidiaries of Investec Bank plc				
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution and wealth manager	Switzerland	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings Australia Pty Limited	Holding company	Australia	100.0%	100.0%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100.0%	100.0%
Indirect subsidiary undertakings of Investec Bank plc				
Investec Europe Limited	MiFiD Firm	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%

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

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, have a significant impact on the financial statements.

For more details on associated companies and joint venture holdings refer to note 28.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note 55 on pages 227 to 231.

Consolidated structured entities

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

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

For additional detail on the assets and liabilities arising on securitisation, refer to note 27.

Details of the risks to which the Group is exposed through all of its securitisations are included in the notes to risk and capital management on page 255.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Principal subsidiaries and associated companies and joint venture holdings – Investec Bank plc (continued)

The key assumptions for the main types of structured entities which the Group consolidates are summarised below:

Securitised residential mortgages

The Group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the Group's holdings of equity notes combined with its control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The Group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the Group's retention of equity notes and because it continues to act as the collateral manager. The Group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The Group has securitised a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the Group has retained the equity notes and control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The Group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the Group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity-like returns and ability to influence the strategic and financial decision-making.

The Group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the Group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £1 million (2022: £26 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the Group to obtain distributions of capital, access the assets or repay the liabilities of members of the Group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the Group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the Group is discussed in the notes to risk and capital management on pages 270 to 271.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits, and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets typically affected are disclosed in notes 19 and 52.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Principal subsidiaries and associated companies and joint venture holdings – Investec Bank plc (continued)

Structured associates

The Group has investments in a number of structured funds specialising in aircraft financing where the Group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the Group has significant influence over the fund and therefore the funds are treated as associates.

The Group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

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

31 March 2023 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	21 164	Limited to the carrying value	Investment income	2 832
31 March 2022 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	15 297	Limited to the carrying value	Investment income	1 782

50. Unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate, but in which it holds an interest as originally set up. In making the assessment of whether to consolidate these structured entities, the Group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 128 to 139.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Unconsolidated structured entities (continued)

The Group currently does not hold any exposure to structured entities. During the prior year, the Group sold its interest in a Residential mortgage structured entity and recognised £71 000 of net interest expense.

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the Group to provide any additional financial or non-financial support to these structured entities.

During the year, the Group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

Interests in structured entities which the Group has not set up

Purchased securitisation positions

The Group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the Group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities, and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the notes to risk and capital management on page 255.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Group						
2023						
Assets						
Cash and balances at central banks	5 400 401	—	5 400 401	—	—	5 400 401
Loans and advances to banks	892 791	—	892 791	—	(42 365)	850 426
Reverse repurchase agreements and cash collateral on securities borrowed	1 338 699	—	1 338 699	(18 976)	(51 104)	1 268 619
Sovereign debt securities	1 221 744	—	1 221 744	—	—	1 221 744
Bank debt securities	204 691	—	204 691	—	—	204 691
Other debt securities	697 275	—	697 275	—	—	697 275
Derivative financial instruments	680 262	—	680 262	(202 876)	(265 816)	211 570
Securities arising from trading activities	127 537	—	127 537	(33 902)	—	93 635
Investment portfolio	311 618	—	311 618	—	—	311 618
Loans and advances to customers	15 567 809	—	15 567 809	—	—	15 567 809
Other loans and advances	172 087	—	172 087	—	(4 959)	167 128
Other securitised assets	78 231	—	78 231	—	—	78 231
Other assets	993 385	—	993 385	—	—	993 385
	27 686 530	**—**	**27 686 530**	**(255 754)**	**(364 244)**	**27 066 532**
Liabilities						
Deposits by banks	2 172 170	—	2 172 170	—	(315 023)	1 857 147
Derivative financial instruments	704 816	—	704 816	(202 877)	(41 080)	460 859
Other trading liabilities	28 184	—	28 184	(10 337)	—	17 847
Repurchase agreements and cash collateral on securities lent	139 529	—	139 529	(20 986)	(6 244)	112 299
Customer accounts (deposits)	19 251 399	—	19 251 399	—	(1 897)	19 249 502
Debt securities in issue	1 140 879	—	1 140 879	(21 554)	—	1 119 325
Liabilities arising on securitisation of other assets	81 609	—	81 609	—	—	81 609
Other liabilities	1 198 267	—	1 198 267	—	—	1 198 267
Subordinated liabilities	731 483	—	731 483	—	—	731 483
	25 448 336	**—**	**25 448 336**	**(255 754)**	**(364 244)**	**24 828 338**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

At 31 March £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Group						
2022						
Assets						
Cash and balances at central banks	5 379 994	—	5 379 994	—	—	5 379 994
Loans and advances to banks	1 467 039	—	1 467 039	—	(45 950)	1 421 089
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	1 165 777	—	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	61 714	—	—	61 714
Other debt securities	437 649	—	437 649	—	—	437 649
Derivative financial instruments	717 457	—	717 457	(272 446)	(209 749)	235 262
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	333 221	—	333 221	—	—	333 221
Loans and advances to customers	14 426 475	—	14 426 475	—	—	14 426 475
Other loans and advances	147 025	—	147 025	—	(5 930)	141 095
Other securitised assets	93 087	—	93 087	—	—	93 087
Other assets	1 161 549	—	1 161 549	—	—	1 161 549
	27 001 625	**—**	**27 001 625**	**(408 530)**	**(277 167)**	**26 315 928**
Liabilities						
Deposits by banks	2 026 573	—	2 026 573	—	(215 054)	1 811 519
Derivative financial instruments	863 295	—	863 295	(298 340)	(47 482)	517 473
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	154 828	—	154 828	(25 761)	(4 348)	124 719
Customer accounts (deposits)	18 616 233	—	18 616 233	—	(10 233)	18 606 000
Debt securities in issue	1 120 841	—	1 120 841	(46 142)	(50)	1 074 649
Liabilities arising on securitisation of other assets	95 885	—	95 885	—	—	95 885
Other liabilities	1 360 071	—	1 360 071	—	—	1 360 071
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	25 039 409	**—**	**25 039 409**	**(408 530)**	**(277 167)**	**24 353 712**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

At 31 March £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Company						
2023						
Assets						
Cash and balances at central banks	5 380 346	—	5 380 346	—	—	5 380 346
Loans and advances to banks	237 897	—	237 897	—	(42 321)	195 576
Reverse repurchase agreements and cash collateral on securities borrowed	1 338 699	—	1 338 699	(18 976)	(51 104)	1 268 619
Sovereign debt securities	372 741	—	372 741	—	—	372 741
Bank debt securities	200 590	—	200 590	—	—	200 590
Other debt securities	1 404 253	—	1 404 253	—	—	1 404 253
Derivative financial instruments	625 897	—	625 897	(197 452)	(260 317)	168 128
Securities arising from trading activities	127 537	—	127 537	(33 902)	—	93 635
Investment portfolio	46 534	—	46 534	—	—	46 534
Loans and advances to customers	11 827 489	—	11 827 489	—	—	11 827 489
Other loans and advances	3 199 833	—	3 199 833	—	(4 959)	3 194 874
Other securitised assets	4 005	—	4 005	—	—	4 005
Other assets	446 286	—	446 286	—	—	446 286
	25 212 107	**—**	**25 212 107**	**(250 330)**	**(358 701)**	**24 603 076**
Liabilities						
Deposits by banks	2 524 081	—	2 524 081	—	(309 524)	2 214 557
Derivative financial instruments	665 600	—	665 600	(197 453)	(41 036)	427 111
Other trading liabilities	28 184	—	28 184	(10 337)	—	17 847
Repurchase agreements and cash collateral on securities lent	289 529	—	289 529	(20 986)	(6 244)	262 299
Customer accounts (deposits)	17 953 810	—	17 953 810	—	(1 897)	17 951 913
Debt securities in issue	1 139 696	—	1 139 696	(21 554)	—	1 118 142
Other liabilities	564 441	—	564 441	—	—	564 441
Subordinated liabilities	731 483	—	731 483	—	—	731 483
	23 896 824		**23 896 824**	**(250 330)**	**(358 701)**	**23 287 793**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Offsetting (continued)

At 31 March £'000	Amounts subject to enforceable netting arrangements Effects of offsetting on-balance sheet Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset* Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Company						
2022						
Assets						
Cash and balances at central banks	5 326 533	—	5 326 533	—	—	5 326 533
Loans and advances to banks	535 738	—	535 738	—	(45 731)	490 007
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	323 494	—	323 494	—	—	323 494
Bank debt securities	57 844	—	57 844	—	—	57 844
Other debt securities	1 144 024	—	1 144 024	—	—	1 144 024
Derivative financial instruments	672 124	—	672 124	(271 754)	(208 245)	192 125
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	70 229	—	70 229	—	—	70 229
Loans and advances to customers	10 930 443	—	10 930 443	—	—	10 930 443
Other loans and advances	3 027 162	—	3 027 162	—	(5 930)	3 021 232
Other securitised assets	5 083	—	5 083	—	—	5 083
Other assets	615 033	—	615 033	—	—	615 033
	24 318 345	**—**	**24 318 345**	**(407 838)**	**(275 444)**	**23 635 063**
Liabilities						
Deposits by banks	2 214 555	—	2 214 555	—	(213 550)	2 001 005
Derivative financial instruments	828 405	—	828 405	(297 648)	(47 263)	483 494
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	197 903	—	197 903	(25 761)	(4 348)	167 794
Customer accounts (deposits)	17 290 014	—	17 290 014	—	(10 233)	17 279 781
Debt securities in issue	1 119 658	—	1 119 658	(46 142)	(50)	1 073 466
Other liabilities	676 409	—	676 409	—	—	676 409
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	23 128 627	**—**	**23 128 627**	**(407 838)**	**(275 444)**	**22 445 345**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

52. Derecognition

Group

Transfer of financial assets that do not result in derecognition

The Group has been party to securitisation transactions whereby assets continue to be recognised on-balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

No derecognition achieved £'000	2023 Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities	2022 Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	1 613 838	—	730 310	—
Loans and advances to banks	80 799	—	53 192	—
	1 694 637	**—**	**783 502**	**—**

The transferred assets above in both the current and prior year are held within structured entities which are wholly-owned and consolidated by the Group. There are no external parties participating in these vehicles and therefore the Group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the Group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 19.

Company

The Company has not been party to transactions that resulted in a transfer of financial assets that did not result in derecognition.

53. Investment in subsidiary companies

At 31 March £'000	2023	2022
Cost		
At the beginning of the year	944 766	963 179
Acquisition of subsidiaries	75 795	21 984
Sale of subsidiary	—	(15 077)
Return of capital by subsidiary	(5 676)	(24 280)
Liquidation of subsidiaries	(1 737)	(1 096)
Exchange adjustments	43	56
At the end of the year	**1 013 191**	**944 766**
Provision for impairment in value		
At the beginning of the year	(117 167)	(117 340)
Impairment of subsidiaries	(23 620)	(9 994)
Sale of subsidiary	—	10 167
Liquidation of subsidiaries	425	—
At the end of the year	**(140 362)**	**(117 167)**
Carrying value at the end of the year	**872 829**	**827 599**

All subsidiary undertakings are unlisted.

The main increase in acquisition of subsdiaries is due to capital injection of £75 million in respect of a new investment, and an acquisition of £0.7 million relating to the incorporation of a subsidiary to take advantage of new business opportunities. Other movements are primarily driven by impairments of subsidiaries of £23.6 million following the disposal of assets within an entity whose sole purpose was to hold them, and return of capital of £4.9 million from Investec Australia following the continued wind down of the Australian operation and £1.7 million following the liquidation of Investec Capital Markets (Hong Kong).

During the prior year acquisitions of £22 million were from other Group companies as part of restructures of Group businesses. Other movements were primarily driven by Investec Australia return of capital of £24 million and an impairment of £8.6 million raised due to the closure of Australia operations and the sale of Investec Capital Asia Limited as part of restructure of the business in Hong Kong resulting in a decrease in cost of £15 million and accumulated impairment of £10 million.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

54. Subsequent events

Proposed combination of Investec Wealth & Investment UK and Rathbones Group

It was announced on 4 April 2023 that Investec Bank plc and Rathbones Group Plc (Rathbones) have entered into a definitive agreement regarding an all-share combination of Investec Wealth & Investment Limited (IW&I UK) and Rathbones.

Under the terms of the combination, Rathbones will issue new Rathbones shares in exchange for 100% of IW&I UK's share capital. On completion, Investec Bank plc will own 41.25% of the economic interest in the enlarged Rathbones Group's share capital, with Investec Bank plc's voting rights limited to 29.9%.

The combination is conditional, among other things, on:

i. The Financial Conduct Authority and London Stock Exchange agreeing to admit the ordinary share element of the consideration shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities,

ii. No material adverse change having occurred in respect of either Rathbones or Investec IW&I UK,

iii. The Competition and Markets Authority (CMA) confirming in response to a briefing note that it has no further questions, or alternatively, CMA approval, and

iv. Relevant regulatory approvals and notifications being obtained, including in the UK, Jersey, Guernsey and South Africa.

At the completion date of the sale, Investec will deconsolidate its 100% investment in IW&I UK. Going forward the investment in the enlarged Rathbones Group will be equity accounted.

At the date of this report, the transaction has not yet become effective. The financial effect of deconsolidation will be dependent on the net asset value of the IW&I UK business and the fair value of the Rathbones shares on the date of deconsolidation, a reliable estimate cannot be made at this point.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Subsidiaries

At 31 March 2023	Principal activity	Interest held
United Kingdom **Registered office: 30 Gresham Street, London, EC2V 7QP, UK**		
PIF Investments Limited*	Dormant	100%
Beeson Gregory Index Nominees Limited*	Dormant	100%
EVO Nominees Limited*	Dormant	100%
Evolution Securities Nominees Limited*	Dormant	100%
Investec Finance Limited*	Dormant	100%
Investec Group Investments (UK) Limited*	Investment holding company	100%
GFT Holdings Limited	Dormant	100%
Investec Investment Trust plc	Debt issuer	100%
Investec Investments (UK) Limited*	Investment holding company	100%
Inv-German Retail Limited	Property company	100%
Investec Securities Limited	Dormant	100%
Technology Nominees Limited*	Nominee	100%
Torteval LM Limited*	Investment holding company	100%
Torteval Funding LLP*	Financing company	100%
Tudor Tree Properties Limited*	Property company	100%
Willbro Nominees Limited*	Nominee	100%
Evolution Capital Investment Limited	Dormant	100%
Investec Capital Solutions Limited*	Lending company	100%
Diagonal Nominees Limited*	Nominee	100%
Nars Holdings Limited*	Property company	100%
PSV Marine Limited*	Shipping holding company	100%
PSV Anjali Limited	Shipping holding company	100%
PSV Randeep Limited	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	80.48%
Investec Alternative Investment Management Limited*	Fund management activities	100%
Investec-Capitalmind Investment Limited*	Non-trading	100%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Registered office: 30 Gresham Street, London EC2V 7QN, UK		
Investec Wealth & Investment Limited*	Investment management services	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
Murray Asset Management UK Limited	Investment management and financial planning	100%
Murray Asset Nominees Limited	Nominee	100%
Murray Asset Nominees UK Limited	Nominee	100%
Castle Street Nominees UK Limited	Nominee	100%
Registered office: Quartermile One, Lauriston Place, Edinburgh, Scotland, EH3 9EN		
Murray Investment Management Limited	Non-trading	100%
Murray Asset Management Limited	Non-trading	100%
Castle Street Nominees Limited	Nominee	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited*	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited*	Leasing company	100%
Investec Asset Finance plc*	Leasing company	100%
Australia **Registered office: Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000, Australia**		
Investec Holdings Australia Pty Limited*	Holding company	100%
Investec Australia Finance Pty Limited	Lending company	100%
Investec Australia Pty Limited	Financial services	100%
Bowden (Lot 32) Direct Pty Limited	Development company	100%
IWPE Nominees Pty Limited	Custodian	100%
British Virgin Islands **Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands**		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited*	Holding company	100%
France **Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, France**		
SCI CAP Philippe*	Property company	100%

* Directly owned by Investec Bank plc.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Guernsey **Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands**		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee	100%
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Bank (Channel Islands) Limited*	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee	100%
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee	100%
Bayeux Limited	Corporate director	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Corporate director	100%
Jersey **Registered office: 2nd Floor One The Splanade, St Helier, Channel Islands, Jersey, JE2 3QA**		
Appleton Resources (Jersey) Limited	Holding company	100%
India **Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India**		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Global Services (India) Private Limited*	ITES Outsourcing	100%

* Directly owned by Investec Bank plc.

55. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Ireland Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited*	Property company	100%
Investec Holdings (Ireland) Limited*	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Private Finance Ireland Limited*	Loan credit servicing	100%
Investec Ventures Ireland Limited	Investment management services	100%
Venture Fund Private Principals Limited	Investment services	100%
Investec Europe Limited	MiFiD firm	100%
Luxembourg Registered office: 15 Boulevard Friedrich Wilhelm Raiffeisen L-2411, Luxembourg		
PDF II GP s.a.r.l.	Fund management activities	100%
Singapore Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Limited	Securities services	100%
Switzerland Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG*	Banking institution and wealth manager	100%
United States of America Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
US Multifamily GP LLC	Investment holding company	100%
Investec USA Holdings Corp*	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC Investment	Investment holding company	100%
Fuel Cell IP 2 LLC Investment	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%
Registered office: One Carbon Center-Suite 501, 13905 McCorkle Ave. SE, Chesapeake, WV 25315		
Appleton Coal LLC	Investment holding company	100%
Maben Coal LLC	Investment holding company	100%
Carbon Resources Development Inc	Mining company	100%

* Directly owned by Investec Bank plc.

55. Subsidiaries (continued)

Associates and joint venture holdings

At 31 March 2023	Principal activity	Interest held
British Virgin Islands Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Registered office: Wattley Building, 2nd Floor, 160 Main Street, P.O. Box 3410, Road Town, Tortola, British Virgin Islands		
Templewater Holdings Limited	Holding Company	50%
India Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India		
JSM Advisers Private Limited	Fund management	55%
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400051		
Investec Capital Services (India) Private Limited	Merchant Banking & Stock Broking	80.3%
Germany Registered office: Sonnenberger Strabe 16, 65193 Wiesbaden		
Capitalmind GmbH	Advisory services	30%
Netherlands Registered offices: Reitschweg 49, 5232BX's-Hertogenbosch, the Netherlands		
Capitalmind Partner B.V.	Advisory services	30%
France Registered office: 151 Boulevard Haussman, 75008 Paris, France		
Capitalmind SAS	Advisory services	30%

NOTES TO RISK AND CAPITAL MANAGEMENT

56. Credit and counterparty risk management

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

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

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

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

Credit and counterparty risk governance structure

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

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

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

Credit and counterparty risk appetite

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

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

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

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

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

Concentration risk

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

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

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

Country risk

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

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

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

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

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

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

ESG risk

The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

Our sustainability strategy focuses on two core UN Sustainable Development Goals which are climate action (SDG 13) and reducing inequalities (SDG 10). This is key when integrating ESG considerations into our day-to-day operations and credit decision-making.

ESG risks are considered by the credit committee or investment committee when making lending or investment decisions. Transactions that fall into the high-risk ESG category require extra due diligence from the Group sustainability team and are presented to the DLC SEC.

The following ESG risk matters are taken into account when assessing high-risk transactions:

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

We recognise the complexity and urgency of climate change. We are committed to supporting the transition to a clean and energy efficient world while preserving biodiversity, nature and the wellbeing of our people and our planet.

When making lending or investment decisions, the credit committee or investment committee will review risks with regard to climate change, nature and biodiversity with additional input from the Group sustainability team and/or the DLC SEC should the deal be of a high-risk category.

Refer to pages 252 and 253 for further detail

Climate, nature and biodiversity risk

We recognise the complexity and urgency of climate change. We are committed to supporting the transition to a clean and energy efficient world while preserving biodiversity, nature and the wellbeing of our people and our planet.

When making lending or investment decisions, the credit committee or investment committee will review risks with regard to climate change, nature and biodiversity with additional input from the Group sustainability team and/or the DLC SEC should the deal be of a high-risk category.

Refer to pages 252 and 253 for further detail

Stress testing and portfolio management

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

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

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

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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Management and measurement of credit and counterparty risk

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

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

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

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

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

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 236 to 242
- Treasury function: there are also certain exposures, outside of core loans and advances, where we assume credit and counterparty risk. These arise from treasury investments in high-quality liquid assets, including highly rated government, supranational, sovereign and agency and covered bonds, and treasury placements where the treasury function, as part of the daily management of the Bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America and Australia.

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

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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Credit risk mitigation

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the Bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the Bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the Bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2023 amounts to -£0.2 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£0.4 million and total protection sold amounts to £0.2 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 186

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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of gross core loans, asset quality and ECL

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

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

Overall coverage for Stage 1 and Stage 2 remains elevated at 31 March 2023 reflecting current pressures in the macro-economic environment.

Stage 2 exposures total £1 321 million or 8.7% of gross loans subject to ECL. The increase is mainly driven by idiosyncratic exposures requiring closer attention rather than assets where we are concerned about default or loss.

£'million	31 March 2023	31 March 2022
Gross core loans	**15 709**	**14 557**
Gross core loans at FVPL	551	609
Gross core loans subject to ECL*	**15 158**	**13 948**
Stage 1	13 494	12 665
Stage 2	1 321	992
of which past due greater than 30 days	35	28
Stage 3	343	291
ECL	**(146)**	**(134)**
Stage 1	(39)	(32)
Stage 2	(32)	(35)
Stage 3	(75)	(67)
Coverage ratio		
Stage 1	0.29%	0.25%
Stage 2	2.4%	3.5%
Stage 3	21.9%	23.0%
Credit loss ratio	**0.37%**	**0.17%**
ECL impairment charges on core loans	(54)	(22)
Average gross core loans subject to ECL	14 553	12 958
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	268	224
Aggregate collateral and other credit enhancements on Stage 3	280	230
Stage 3 as a % of gross core loans subject to ECL	2.3%	2.1%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.8%	1.6%

Note: Our exposure (net of ECL) to the UK Legacy portfolio* has reduced from £43 million at 31 March 2022 to £37 million at 31 March 2023. These Legacy assets are predominantly reported in Stage 3 and make up 12.6% of Stage 3 gross core loans. These assets have been significantly provided for and coverage remains high at 55.3%.

* Refer to definitions on page 277.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2022 to 31 March 2023. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 2 is mainly driven by idiosyncratic exposures that have deteriorated compared to when the exposures originated, but where there is no specific concern with respect to loss. There was a slight uptick in transfers into Stage 3 over the period, however this is broadly in line with the prior year when considered as a proportion of the opening book.

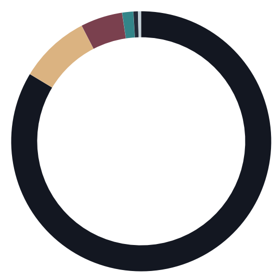
The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as, with respect to ECLs, Stage 3 ECLs that have been written off,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

The ECL impact of changes to risk parameters and models during the year largely relates to the changes in the macro-economic scenarios as well as the release of management ECL overlay. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since 31 March 2022.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2021	**10 398**	**(27)**	**1 238**	**(41)**	**332**	**(101)**	**11 968**	**(169)**
Transfer from Stage 1	(433)	1	379	(1)	54	—	—	—
Transfer from Stage 2	397	(6)	(473)	8	76	(2)	—	—
Transfer from Stage 3	1	—	3	—	(4)	—	—	—
ECL remeasurement arising from transfer of stage	—	3	—	(3)	—	(9)	—	(9)
New lending net of repayments (includes assets written off)	2 270	(3)	(159)	4	(167)	45	1 944	46
Changes to risk parameters and models	—	—	—	(2)	—	—	—	(2)
Foreign exchange and other	32	—	4	—	—	—	36	—
At 31 March 2022	**12 665**	**(32)**	**992**	**(35)**	**291**	**(67)**	**13 948**	**(134)**
Transfer from Stage 1	(774)	4	678	(4)	96	—	—	—
Transfer from Stage 2	226	(2)	(282)	3	56	(1)	—	—
Transfer from Stage 3	3	—	4	—	(7)	—	—	—
ECL remeasurement arising from transfer of stage	—	2	—	(7)	—	(16)	—	(21)
New lending net of repayments (includes assets written off)	1 297	(12)	(81)	—	(94)	10	1 122	(2)
Changes to risk parameters and models	—	1	—	11	—	—	—	12
Foreign exchange and other	77	—	10	—	1	(1)	88	(1)
At 31 March 2023	**13 494**	**(39)**	**1 321**	**(32)**	**343**	**(75)**	**15 158**	**(146)**

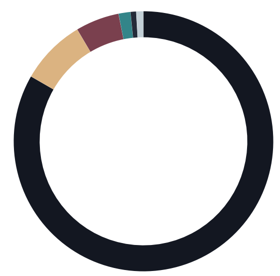
An analysis of gross core loans by country of exposure

31 March 2023
£15 709 million



United Kingdom	83.6%
Europe (excluding UK)	8.8%
North America	5.2%
Asia	1.4%
Other	0.6%
Australia	0.4%

31 March 2022
£14 557 million



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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12-month PD at 31 March 2023 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2023 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**8 816**	**5 850**	**149**	**343**	**15 158**
Stage 1	8 460	4 996	38	—	13 494
Stage 2	356	854	111	—	1 321
Stage 3	—	—	—	343	343
ECL	**(12)**	**(50)**	**(9)**	**(75)**	**(146)**
Stage 1	(10)	(28)	(1)	—	(39)
Stage 2	(2)	(22)	(8)	—	(32)
Stage 3	—	—	—	(75)	(75)
Coverage ratio	**0.1%**	**0.9%**	**6.0%**	**21.9%**	**1.0%**

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

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NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

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

Year in review

Commercial real estate reduced by 2.9% over the year to 31 March 2023 to £1.6 billion. Lending collateralised by property totalled £2.3 billion or 15.0% of net core loans at 31 March 2023, which remains in line with the Bank's risk appetite to maintain a reduced proportion of net core loan exposures in property-related lending. New lending is diversified by underlying asset classes at conservative LTVs. Weighted average LTV* on lending collateralised by property remains conservative at 58%. Development exposures are typically undertaken at lower LTVs. These LTVs do not take into account guarantees provided by borrowers which provide additional security to our lending and would reduce LTV metrics further. The bulk of property collateralised assets are located in the UK.

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

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2023										
Commercial real estate	**1 241**	**(6)**	**231**	**(8)**	**76**	**(16)**	**1 548**	**(30)**	**43**	**1 591**
Commercial real estate – investment	920	(4)	212	(8)	70	(13)	1 202	(25)	40	1 242
Commercial real estate – development	308	(2)	13	—	—	—	321	(2)	3	324
Commercial vacant land and planning	13	—	6	—	6	(3)	25	(3)	—	25
Residential real estate	**611**	**(2)**	**112**	**(4)**	**45**	**(18)**	**768**	**(24)**	**37**	**805**
Residential real estate – investment	359	(1)	39	(2)	11	(1)	409	(4)	35	444
Residential real estate – development	244	(1)	69	(1)	9	(3)	322	(5)	—	322
Residential vacant land and planning	8	—	4	(1)	25	(14)	37	(15)	2	39
Total lending collateralised by property	**1 852**	**(8)**	**343**	**(12)**	**121**	**(34)**	**2 316**	**(54)**	**80**	**2 396**
Coverage ratio		**0.43%**		**3.5%**		**28.1%**		**2.3%**		
At 31 March 2022										
Commercial real estate	**1 334**	**(3)**	**152**	**(6)**	**105**	**(21)**	**1 591**	**(30)**	**46**	**1 637**
Commercial real estate – investment	1 104	(2)	108	(4)	99	(18)	1 311	(24)	42	1 353
Commercial real estate – development	222	(1)	38	(1)	—	—	260	(2)	4	264
Commercial vacant land and planning	8	—	6	(1)	6	(3)	20	(4)	—	20
Residential real estate	**676**	**(2)**	**3**	**—**	**34**	**(16)**	**713**	**(18)**	**29**	**742**
Residential real estate – investment	394	(1)	3	—	4	(1)	401	(2)	27	428
Residential real estate – development	276	(1)	—	—	6	(3)	282	(4)	—	282
Residential vacant land and planning	6	—	—	—	24	(12)	30	(12)	2	32
Total lending collateralised by property	**2 010**	**(5)**	**155**	**(6)**	**139**	**(37)**	**2 304**	**(48)**	**75**	**2 379**
Coverage ratio		**0.25%**		**3.9%**		**26.6%**		**2.1%**		

* Excludes a small portion of Legacy exposures that are predominately reported in Stage 3.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

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

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

Credit risk arises from the following activities:

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

Year in review

High net worth and other private client lending totalled £5.6 billion or 36.0% of UK net core loans at 31 March 2023. Growth in mortgages slowed to 12.7% in the year to 31 March 2023 (31 March 2022: 30.3%) in line with market conditions, particularly in the second half of the year due to the higher interest rate environment.

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

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Mortgages	4 480	(2)	128	—	64	(7)	4 672	(9)	25	4 697
Other high net worth lending	863	(2)	36	(1)	20	(6)	919	(9)	3	922
Total high net worth and other private client lending	**5 343**	**(4)**	**164**	**(1)**	**84**	**(13)**	**5 591**	**(18)**	**28**	**5 619**
Coverage ratio		**0.07%**		**0.6%**		**15.5%**		**0.3%**		
At 31 March 2022										
Mortgages	3 995	(1)	86	—	57	(4)	4 138	(5)	25	4 163
Other high net worth lending	938	(2)	42	(1)	6	(2)	986	(5)	3	989
Total high net worth and other private client lending	**4 933**	**(3)**	**128**	**(1)**	**63**	**(6)**	**5 124**	**(10)**	**28**	**5 152**
Coverage ratio		**0.06%**		**0.8%**		**9.5%**		**0.2%**		

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

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

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

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

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

Corporate and other lending increased by 9.6% from £7.0 billion at 31 March 2022 to £7.6 billion at 31 March 2023. There has been diversified growth across multiple corporate and other lending areas including corporate and acquisition finance, fund finance and motor finance. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets.

Asset quality remains stable with no evident signs of deteriorating trends in specific sectors.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Corporate and acquisition finance	1 794	(9)	212	(5)	53	(7)	2 059	(21)	125	2 184
Asset-based lending	271	(1)	44	—	—	—	315	(1)	—	315
Fund finance	1 359	(1)	33	—	—	—	1 392	(1)	75	1 467
Other corporate and financial institutions and governments	391	(2)	70	(1)	4	(1)	465	(4)	32	497
Small ticket asset finance	1 142	(9)	279	(6)	30	(11)	1 451	(26)	—	1 451
Motor finance	905	(3)	46	(3)	8	(3)	959	(9)	—	959
Aviation finance	115	(1)	32	(1)	—	—	147	(2)	176	323
Power and infrastructure finance	322	(1)	98	(3)	43	(6)	463	(10)	35	498
Total corporate and other lending	**6 299**	**(27)**	**814**	**(19)**	**138**	**(28)**	**7 251**	**(74)**	**443**	**7 694**
Coverage ratio		**0.43%**		**2.3%**		**20.3%**		**1.0%**		
At 31 March 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Aviation finance	96	(1)	10	(1)	—	—	106	(2)	244	350
Power and infrastructure finance	362	(2)	47	(2)	41	(2)	450	(6)	70	520
Total corporate and other lending	**5 722**	**(24)**	**709**	**(28)**	**89**	**(24)**	**6 520**	**(76)**	**506**	**7 026**
Coverage ratio		**0.42%**		**3.9%**		**27.0%**		**1.2%**		

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £29.0 billion at 31 March 2023. Cash and near cash balances amounted to £8.6 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet. Loans and advances to customers (including committed facilities) account for greater than 98% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	31 March 2023	31 March 2022
Cash and balances at central banks	5 400	5 380
Loans and advances to banks	893	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	1 447
Sovereign debt securities	1 222	1 166
Bank debt securities	205	62
Other debt securities	698	443
Derivative financial instruments	575	669
Securities arising from trading activities	28	26
Loans and advances to customers	15 709	14 557
Other loans and advances	172	147
Other securitised assets	5	6
Other assets	38	116
Total on-balance sheet exposures	**26 284**	**25 486**
Guarantees	29	41
Committed facilities related to loans and advances to customers	2 345	1 957
Contingent liabilities, letters of credit and other	384	326
Total off-balance sheet exposures	**2 758**	**2 324**
Total gross credit and counterparty exposures	**29 042**	**27 810**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

A further analysis of gross credit and counterparty exposures

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

At 31 March 2023 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	5 400	—	5 400	—	—	5 400
Loans and advances to banks	893	—	893	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	346	993	—	—	1 339
Sovereign debt securities	1 222	24	1 198	—	—	1 222
Bank debt securities	205	—	205	—	—	205
Other debt securities	698	94	604	(1)	—	697
Derivative financial instruments	575	575	—	—	105	680
Securities arising from trading activities	28	28	—	—	100	128
Investment portfolio	—	—	—	—	312*	312
Loans and advances to customers	15 709	551	15 158	(146)	—	15 563
Other loans and advances	172	—	172	—	—	172
Other securitised assets	5	5	—	—	73^	78
Interest in associated undertakings and joint venture holdings	—	—	—	—	11	11
Deferred taxation assets	—	—	—	—	112	112
Current taxation assets	—	—	—	—	10	10
Other assets	38	—	38	—	955**	993
Property and equipment	—	—	—	—	121	121
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	9	9
Other acquired intangible assets	—	—	—	—	44	44
Total on-balance sheet exposures	**26 284**	**1 623**	**24 661**	**(147)**	**2 102**	**28 239**
Guarantees	29	—	29	—	—	29
Committed facilities related to loans and advances to customers	2 345	147	2 198	(13)	—	2 332
Contingent liabilities, letters of credit and other	384	—	384	(2)	121	503
Total off-balance sheet exposures	**2 758**	**147**	**2 611**	**(15)**	**121**	**2 864**
Total exposures	**29 042**	**1 770**	**27 272**	**(162)**	**2 223**	**31 103**

ECLs include £5.3 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.

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

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

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

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

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

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

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

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

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

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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 31 March 2023							
Cash and balances at central banks	—	—	—	—	5 400	—	—
Loans and advances to banks	—	—	—	—	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	253	—	1 086
Sovereign debt securities	—	—	—	—	1 213	—	9
Bank debt securities	—	—	—	—	—	—	205
Other debt securities	—	—	—	—	6	15	561
Derivative financial instruments	—	—	1	20	—	8	474
Securities arising from trading activities	—	—	—	—	—	1	23
Loans and advances to customers	5 619	2 396	17	513	232	1 275	2 157
Other loans and advances	—	—	—	—	—	—	159
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	29
Total on-balance sheet exposures	**5 619**	**2 396**	**18**	**533**	**7 104**	**1 299**	**5 596**
Guarantees	6	—	—	1	—	—	—
Committed facilities related to loans and advances to customers	175	427	—	393	85	185	722
Contingent liabilities, letters of credit and other	—	—	—	246	—	11	108
Total off-balance sheet exposures	**181**	**427**	**—**	**640**	**85**	**196**	**830**
Total gross credit and counterparty exposures	**5 800**	**2 823**	**18**	**1 173**	**7 189**	**1 495**	**6 426**
At 31 March 2022							
Cash and balances at central banks	—	—	—	—	5 380	—	—
Loans and advances to banks	—	—	—	—	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	—	962
Sovereign debt securities	—	—	—	—	1 166	—	—
Bank debt securities	—	—	—	—	—	—	62
Other debt securities	—	—	—	9	10	13	249
Derivative financial instruments	—	—	—	32	—	2	493
Securities arising from trading activities	—	—	—	—	3	2	16
Loans and advances to customers	5 152	2 379	14	619	233	1 333	1 661
Other loans and advances	—	—	—	—	—	—	136
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	39
Total on-balance sheet exposures	**5 152**	**2 379**	**14**	**660**	**7 277**	**1 350**	**5 085**
Guarantees	7	—	—	11	—	—	—
Committed facilities related to loans and advances to customers	131	436	—	262	66	205	596
Contingent liabilities, letters of credit and other	18	—	—	191	—	8	104
Total off-balance sheet exposures	**156**	**436**	**—**	**464**	**66**	**213**	**700**
Total gross credit and counterparty exposures	**5 308**	**2 815**	**14**	**1 124**	**7 343**	**1 563**	**5 785**

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

£'million	Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	Total
At 31 March 2023											
Cash and balances at central banks	—	—	—	—	—	—	—	—	—	—	5 400
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	—	—	—	—	—	1 339
Sovereign debt securities	—	—	—	—	—	—	—	—	—	—	1 222
Bank debt securities	—	—	—	—	—	—	—	—	—	—	205
Other debt securities	—	—	—	70	—	—	—	46	—	—	698
Derivative financial instruments	18	16	2	—	1	6	—	27	—	2	575
Securities arising from trading activities	—	—	—	4	—	—	—	—	—	—	28
Loans and advances to customers	293	803	139	—	119	136	76	645	959	330	15 709
Other loans and advances	—	2	—	11	—	—	—	—	—	—	172
Other securitised assets	—	—	—	5	—	—	—	—	—	—	5
Other assets	—	—	—	—	—	—	—	—	—	9	38
Total on-balance sheet exposures	**311**	**821**	**141**	**90**	**120**	**142**	**76**	**718**	**959**	**341**	**26 284**
Guarantees	—	—	—	—	3	—	—	19	—	—	29
Committed facilities related to loans and advances to customers	12	119	4	—	8	4	3	15	—	193	2 345
Contingent liabilities, letters of credit and other	—	17	—	—	—	—	1	1	—	—	384
Total off-balance sheet exposures	**12**	**136**	**4**	**—**	**11**	**4**	**4**	**35**	**—**	**193**	**2 758**
Total gross credit and counterparty exposures	**323**	**957**	**145**	**90**	**131**	**146**	**80**	**753**	**959**	**534**	**29 042**
At 31 March 2022											
Cash and balances at central banks	—	—	—	—	—	—	—	—	—	—	5 380
Loans and advances to banks	—	—	—	—	—	—	—	—	—	—	1 467
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	—	—	—	—	—	1 447
Sovereign debt securities	—	—	—	—	—	—	—	—	—	—	1 166
Bank debt securities	—	—	—	—	—	—	—	—	—	—	62
Other debt securities	—	—	—	99	—	—	—	55	—	8	443
Derivative financial instruments	6	11	—	—	—	111	1	13	—	—	669
Securities arising from trading activities	—	—	—	5	—	—	—	—	—	—	26
Loans and advances to customers	285	797	110	—	123	96	85	656	755	259	14 557
Other loans and advances	—	—	—	11	—	—	—	—	—	—	147
Other securitised assets	—	—	—	6	—	—	—	—	—	—	6
Other assets	20	1	—	—	—	—	—	53	—	3	116
Total on-balance sheet exposures	**311**	**809**	**110**	**121**	**123**	**207**	**86**	**777**	**755**	**270**	**25 486**
Guarantees	2	—	—	—	3	—	—	18	—	—	41
Committed facilities related to loans and advances to customers	7	104	7	—	40	32	2	9	—	60	1 957
Contingent liabilities, letters of credit and other	—	—	—	—	—	4	—	1	—	—	326
Total off-balance sheet exposures	**9**	**104**	**7**	**—**	**43**	**36**	**2**	**28**	**—**	**60**	**2 324**
Total gross credit and counterparty exposures	**320**	**913**	**117**	**121**	**166**	**243**	**88**	**805**	**755**	**330**	**27 810**

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2023 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	5 400	—	—	—	—	—	5 400
Loans and advances to banks	888	—	—	5	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	808	85	120	73	—	253	1 339
Sovereign debt securities	488	338	153	196	25	22	1 222
Bank debt securities	54	—	12	132	7	—	205
Other debt securities	7	1	12	54	390	234	698
Derivative financial instruments	135	58	118	234	25	5	575
Securities arising from trading activities	—	—	1	—	11	16	28
Loans and advances to customers	1 570	1 148	1 799	7 941	1 880	1 371	15 709
Other loans and advances	8	—	—	65	58	41	172
Other securitised assets	—	—	—	—	—	5	5
Other assets	38	—	—	—	—	—	38
Total on-balance sheet exposures	**9 396**	**1 630**	**2 215**	**8 700**	**2 396**	**1 947**	**26 284**
Guarantees	4	—	—	25	—	—	29
Committed facilities related to loans and advances to customers	63	151	221	1 482	410	18	2 345
Contingent liabilities, letters of credit and other	88	—	5	262	29	—	384
Total off-balance sheet exposures	**155**	**151**	**226**	**1 769**	**439**	**18**	**2 758**
Total gross credit and counterparty exposures	**9 551**	**1 781**	**2 441**	**10 469**	**2 835**	**1 965**	**29 042**

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

57. Additional credit and counterparty risk information

Credit risk classification and provisioning policy

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

For further detail on our credit risk classification and provision policy please refer to pages 132 and 133

Internal credit rating models and ECL methodology

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

Further information on internal credit ratings is provided on page 238

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 133

Key judgements at 31 March 2023

Key judgemental areas under IFRS 9 are subject to robust governance processes. At 31 March 2023, the composition and weightings of the forward-looking macro-economic scenarios were revised to reflect the current pressures in the macro-economic environment, however there remains reliance on expert credit judgements to ensure that the overall level of ECL is reasonable.

Given the models' improved ability to capture macro-economic factors based on factored-in historical experience compared to the prior period and the resultant increase in modelled ECL over the year to 31 March 2023, we released a portion of the overlay that was designed to capture the ongoing macro-economic uncertainty.

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

Macro-economic sensitivities

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

The UK Bank's most severe 100% scenario sensitivity was to the downside 2 – global shock scenario which, if applied, would result in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately £29 million. The base case scenario, if 100% weighted, would result in a decrease in ECLs, holding all else equal, of approximately £7 million reflecting the current view of the overall weighted average scenarios, skewed to the downside.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Forward-looking macro-economic scenarios

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

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

For IBP, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

Taking into account the current macro-economic environment, adjustments have been made to the composition of the downside scenarios. The downside 1 – inflation scenario has been updated to reflect entrenched inflation remaining until the end of the time horizon, rather than a high, temporary peak. Similarly to March 2022 and September 2022, the scenarios also incorporate a downside 2 – global shock scenario which captures deflationary tail risks in a world economic downturn.

In addition to a reassessment of the macro-economic scenarios, a review of the weightings for the new scenarios also took place, to take into account the latest economic circumstances and the associated risks to the outlook. On this basis, the weightings stand at; 10% upside; 50% base case; 20% downside 1 – inflation; and 20% downside 2 – global shock. The risks are skewed to the downside with these weights calibrated to take into account the risks to the outlook including the ongoing war in Ukraine, global financial sector weakness and tight labour markets, considering the potential impact on key economic variables such as inflation and growth.

Under the base case scenario assumption, the UK economy recovers from a period of weakness, a trajectory which is followed by a number of other western economies, while inflation falls sharply. The scenario is underpinned by the absence of sharp energy price increases with UK natural gas prices expected to remain materially lower than in 2022. The resulting recession over 2023 is expected to be relatively short and shallow with a peak to trough drop in output of around 0.5%. The Bank rate rises to 4.50% before falling later in the 2023 calendar year as inflation declines and the economy remains weak. The unemployment rate increases from a starting point of 4% to 5.3% as a result of unfavourable economic conditions, as well as the gradual reversal in decline of labour participation rates. The housing market goes through a difficult period in 2023 with national house prices experiencing a peak-to-trough decline of 7% with no recovery before the end of the year. Globally, the situation is projected to be similar to that of the UK with many economies struggling, inflation pressures falling and with some central banks easing monetary policy this year.

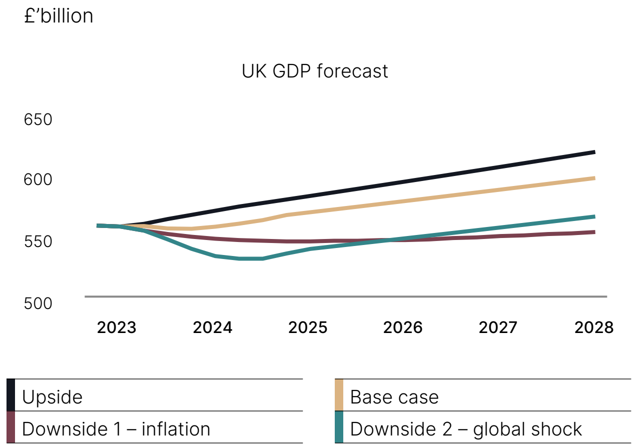
Downside 1 - inflation scenario assumes that the rise in inflation proves more sustained and protracted as wages rise to compensate for higher prices, in turn adding to cost price pressures for companies. Central banks respond by raising interest rates faster and further and holding the new levels for a significant period of time. They also reduce their asset holdings. This sharp tightening of monetary conditions triggers a period of contraction in GDP, rising unemployment and a correction in equity and bond markets. In the UK, inflation moderates from a double-digit rate, but underlying pressures are persistent and entrenched. Inflation expectations adjust to a new regime of higher inflation and interest rates. Inflation averages 4% at the end of the forecast horizon and the bank rate rises to a peak of 4.50%, remaining at that level throughout the forecast horizon. The economy fails to achieve any meaningful recovery and activity stagnates over the five-year period.

Downside 2 – global shock scenario is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a synchronised global V-shaped economic downturn and a sharp repricing of all asset classes, particularly those where valuations are most elevated. Although the shock is assumed to take place early on in the forecasting horizon, lasting headwinds mean the economic and asset price recovery that follows is a slow one. Partly this also reflects the assumption that fiscal support is not as substantial as it was during the initial phase of the COVID-19 pandemic. Faced by a major disinflationary shock, central banks loosen policy. The BoE does so via a cut in the bank rate to a low of 0.25% and a renewal of asset purchases. Over time, an economic recovery prompts a slow rise in policy rates.

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

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

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 31 March 2023.



NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

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

	At 31 March 2023 average 2023 – 2028				At 31 March 2022 average 2022 – 2027			
Macro-economic scenarios	**Upside %**	**Base case %**	**Downside 1 inflation %**	**Downside 2 global shock %**	Upside %	Base case %	Downside 1 L-shape %	Downside 2 fiscal crisis %
UK								
GDP growth	1.9	1.2	(0.2)	0.2	2.6	1.9	0.8	0.3
Unemployment rate	3.6	4.6	5.4	6.8	3.3	3.7	5.4	6.4
CPI inflation	2.5	2.2	5.8	2.1	2.4	3.1	3.2	1.6
House price growth	2.1	0.5	(1.7)	(4.6)	3.5	2.9	1.5	(3.6)
BoE – Bank rate (end year)	2.8	2.8	4.5	1.0	1.8	1.9	2.0	(0.2)
Euro area								
GDP growth	2.1	1.4	0.1	0.2	2.8	2.1	1.1	0.1
US								
GDP growth	2.6	1.5	0.6	0.5	3.1	2.1	1.4	0.6
Scenario weightings	**10**	**50**	**20**	**20**	**10**	**45**	**30**	**15**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 31 March 2023.

	Financial years				
Base case %	**2023/2024**	**2024/2025**	**2025/2026**	**2026/2027**	**2027/2028**
UK					
GDP growth	(0.3)	1.4	1.8	1.6	1.6
Unemployment rate	4.7	5.0	4.6	4.4	4.3
CPI inflation	3.6	1.4	1.9	2.0	2.0
House price growth	(5.0)	0.4	2.3	2.4	2.4
BoE – Bank rate (end year)	3.5	2.8	2.5	2.5	2.5
Euro area					
GDP growth	0.3	1.5	1.8	1.6	1.6
US					
GDP growth	0.6	1.2	1.8	1.8	2.1

The following table outlines the extreme point forecast for each economic factor across the scenarios as at 31 March 2023. Baseline represents the five-year base case average. Upside scenario values represent the best outcomes, namely the highest quarterly level of GDP, house price growth (year on year), lowest level of unemployment and Bank rate. Upside scenario value for CPI inflation is represented by the five-year average. Downside scenario values represent the worst outcomes being lowest quarterly level of GDP, house price growth (year on year). For Bank rate and CPI inflation the most extreme point is listed, the highest level reflective in downside 1 – inflation scenario and the lowest level in downside 2 – global shock scenario.

Five-year extreme points At 31 March 2023	**Upside %**	**Baseline: Base case five-year average %**	**Downside 1 inflation %**	**Downside 2 global shock %**
UK				
GDP growth	2.5	1.2	(1.8)	(4.3)
Unemployment rate	3.5	4.6	5.8	7.8
CPI inflation	2.5	2.2	9.4	0.8
House price growth	5.1	0.5	(6.1)	(20.2)
BoE – Bank rate (end year)	2.5	2.8	4.5	0.3
Euro area				
GDP growth	3.2	1.4	(0.9)	(4.3)
US				
GDP growth	3.1	1.5	(0.8)	(3.9)

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

58. ESG risk

Our sustainability strategy focuses on two core UN Sustainable Development Goals which are climate action (SDG 13) and reducing inequalities (SDG 10). This is key when integrating ESG considerations into our day-to-day operations and credit decision-making.

With regards to climate action (SDG 13):

- We embrace our responsibility to understand and manage our own carbon footprint and maintain carbon neutrality within our direct operations
- The greatest socio-economic and environmental influence we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world
- We have a number of Investec Group environmental policies that also guide credit decision-making from an ESG perspective
- We have been signatories of the Net-Zero Banking Alliance since 2021, strengthening our commitment to a net-zero carbon world
- We support the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant.

With regards to reducing inequalities (SDG 10):

- We support a number of internationally recognised principles, guidelines and voluntary standards which reflect our commitment to respecting human rights, building inclusive communities and supporting activities that reduce inequality.

When assessing high-risk transactions, a number of ESG risks are taken into consideration including:

- Environmental impacts (including animal welfare and nature-related impacts) to support SDG 13
- Social impacts (including human rights, diversity and inclusion) to support SDG 10
- Macro-economic impacts (including poverty, growth and unemployment) to support SDG 13 and SDG 10.

59. Climate, nature and biodiversity risk

We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change and biodiversity.

Our climate change framework takes into account our commitment to a net-zero carbon economy. In addition, our biodiversity statement strengthens our commitment to protecting our natural environment. As such we adopt a precautionary approach towards managing climate, nature-related and biodiversity risks in all decision-making processes.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C.

We acknowledge the clear link between climate change and biodiversity loss, and our exposure to multiple types of biodiversity nature-related risks through our business and operational activities.

Nature and biodiversity are the foundation of all that sustains our world and society. Healthy, biodiverse, and resilient ecosystems play a key role in preventing disruption to society and the markets within which our businesses operate. We recognise the need to conserve biodiversity, ecosystems and living organisms.

The Investec Group is a founding member of the African Natural Capital Alliance (ANCA), a collaborative forum for mobilising the financial community's response to the risk of nature loss in Africa. We have also signed up to the Partnership for Biodiversity Accounting Financials (PBAF) that will enable us to assess and disclose our impact and dependencies on nature-related loans and investments.

In principle:

- We have zero tolerance for activities that exploit conservation areas or have an irreversible negative impact on the environment, indigenous people or natural assets
- We are committed to integrating climate change, nature-related and biodiversity risk considerations into our day-to-day operations and in our lending and investment decisions
- We use our specialised skills to advise clients and stakeholders on reducing negative impacts and enhancing biodiversity enrichment
- The Investec Group makes a positive impact on biodiversity through our environmental philanthropy activities and reduces negative effects by addressing financial crimes related to illegal wildlife trade.

Our approach to net-zero

We embrace our responsibility to understand and manage our own carbon footprint. We upheld our commitment and maintained carbon neutrality in our direct operational carbon emissions status for the fourth financial year by sourcing 100% of our Scope 2 energy consumption from renewable energy through the purchase of Renewable Energy Certificates and offsetting the remaining unavoidable residual emissions of 84% through the purchase of verified and high-quality carbon credits.

We acknowledge that the widest and most impactful influence we can have is to manage and reduce our carbon emissions in the business we conduct and more specifically in our lending and investing portfolios (Scope 3-financed activities). As such, we are members of the Net-Zero Banking Alliance (NZBA) and continue to work with the Partnership for Carbon Accounting Financials (PCAF) to measure our financed emissions. Last year we established a base line towards a net-zero path and will continue to refine our assumptions around Scope 3 emissions.

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

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Nature-related financial disclosures (TNFD)

We have incorporated a high-level approach according to the recommendations of the TNFD within our TCFD report. As our knowledge and the recommended guidance on TNFD matures, we aim to enhance these disclosures over time The table below illustrates a summary of progress in terms of the recommendations according to the TCFD and TNFD.

Climate-related financial disclosures (TCFD)

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

Refer to detailed information in the Investec Group's 2023 climate and nature-related disclosures which are published and available on our website: www.investec.com

	Governance	Strategy	Risk management	Metrics
Achievements in prior years	• Established an Investec Group ESG Executive Committee to align and monitor the Group's climate action • Assigned Board and senior management responsibility and oversight for climate-related risks and opportunities • Became members of the Net-Zero Banking Alliance (NZBA) • IW&I submitted their first UN PRI report • IW&I joined Climate Action 100+ • The Investec Group tabled a voluntary climate resolution at the August 2021 AGM, receiving 99.9% support.	• Acknowledged the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C compared to pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C • Created a sustainable finance framework • Launched a number of ESG and climate-specific products and services.	• Evaluated our lending and investment portfolios for climate-related risks and opportunities • Automated ESG screening incorporated into our risk management process • Assessed climate-related risks within our operations and lending activities.	• Achieved carbon neutrality across our direct operational activities • Joined PCAF and measured our Scope 3 emissions within our lending and investing activities • Assessed net-zero pathways according to SBTi guidance.
Achievements for the financial year ended March 2023	• Engaged with stakeholders on our disclosures to get feedback on how we can improve our governance and oversight • Provided some targeted training to board members, executive management, and staff.	• Joined the Partnership for Biodiversity Accounting Financials (PBAF) • Performed a Pro-Climate assessment to identify gaps within our strategy • Increased stakeholder engagement from our IW&I business on climate-related matters • Participated in a £110 million facility for electric vehicle charging company, Instavolt • Incorporated high-level disclosures as recommended by the TNFD.	• Strengthened our climate focus in the Investec plc and IBP risk appetite assessment resulting in a net-zero aligned target set towards zero coal exposure by 31 March 2027 • Reviewed and updated our fossil fuel policy with the primary change being managing our thermal coal exposure in line with our risk appetite assessment • Reviewed the recommendations from the SBTi on financial sector science based target setting.	• Continued to refine our assumptions around Scope 3 emissions • Engaged with SBTi on their recently released recommendations for Financial Institutions with the aim of reporting on verified climate-related targets.
Looking forward	• Activate a focused learning pathway for management and staff, targeted towards their unique requirements within their respective areas • Stronger focus on ESG and sustainability (including climate and nature-related) matters in the IBP BRCC.	• Further engagements with our clients to assist them in their net-zero carbon ambitions • Continue providing innovative climate-related product offerings • Review and assess the integration of climate-related matters into business strategy • Monitor the progress in terms of the Group's net-zero carbon ambition • Continue to strengthen the Group's climate-related and sustainability disclosures.	• Review developments with regards to climate-related disclosure guidance in specific recommendations by the International Sustainability Standards Board (ISSB) and the Financial Reporting Council (FRC) • Enhanced focus on reporting on biodiversity and nature-related risks according to the TNFD recommendations.	• Engage with stakeholders to get feedback on how we can improve our measurement and methodologies used • Continue to monitor progress on the Group's net-zero carbon ambitions • Reporting verified SBTi targets.

60. Investment risk in the banking book

Investment risk in the banking book comprised 1.4% of total assets at 31 March 2023. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the Bank.

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

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

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

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

Management of investment risk

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

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

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

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

Valuation and sensitivity assumptions and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 133 to 136 and pages 162 to 175 for factors and sensitivities taken into consideration in determining fair value

An analysis of income and revaluations of these investments can be found in the investment income note on page 143

Summary of investments

£'million	On-balance sheet value of investments 31 March 2023	On-balance sheet value of investments 31 March 2022
Unlisted investments	310	331
Listed equities	2	2
Total investment portfolio	**312**	**333**
Trading properties	75	4
Warrants and profit shares	5	6
Total	**392**	**343**

An analysis of investment portfolio, warrants and profit shares

31 March 2023
£317 million

Finance and insurance	48.0%
Manufacturing and commerce	11.0%
Retailers and wholesalers	9.8%
Transport	9.3%
Real estate	5.5%
Construction	5.2%
Business services	5.1%
Other	3.6%
Communication	2.5%

61. Securitisation/ structured credit activities exposures

Overview

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

In the UK, capital requirements for securitisation positions are calculated using either the standardised approach (SEC-SA) or the external ratings-based approach (SEC-ERBA). Given risk-weightings under the SEC-SA approach do not rely on external ratings, a breakdown by risk-weight has also been provided in the analysis below.

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

We hold rated structured credit instruments. These are UK, US and European exposures and amounted to £650 million at 31 March 2023 (31 March 2022: £381 million) with 99% being AAA and AA rated. Of the total structured credit exposures, 99% have a risk weighting of less than 40%.

For accounting methodologies, refer to page 133

Risk management

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

Credit analysis

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

Nature of exposure/activity	31 March 2023 £'million	31 March 2022 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	715	429	Other debt securities and other loans and advances
<40% RWA	709	423	
>40% RWA	6	6	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	382	53	7	—	—	—	442	61	503
UK RMBS	58	23	1	—	—	—	82	4	86
European corporate loans	124	2	—	—	—	—	126	—	126
Total at 31 March 2023	**564**	**78**	**8**	**—**	**—**	**—**	**650**	**65**	**715**
<40% RWA	564	77	7	—	—	—	648	61	709
>40% RWA	—	1	1	—	—	—	2	4	6
Total at 31 March 2022	**282**	**83**	**16**	**—**	**—**	**—**	**381**	**48**	**429**

NOTES TO RISK AND CAPITAL MANAGEMENT
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62. Market risk in the trading book

Traded market risk profile

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

Traded market risk year in review

The financial year in review has been characterised by significant central bank tightening and inflation, with associated macro-driven market fluctuations, as well as the more recent volatility from the banking sector crisis. Although inflation has started to temper, the impact of the banking sector stress and the higher interest rates is likely to feed into the global economy over the next year. Global yield curves are considerably higher and more inverted than as at 31 March 2022.

In the UK, equity markets fell over the first half of the financial year, with declines in the FTSE100 and FTSE250 peaking at -9% and -21% during October 2022, whereafter they recovered to +1.5% and -10.5% for the full year to 31 March 2023. The UK Bank continues to wind down its structured products book with IBP executive management, risk management and the business closely monitoring the risk in the substantially reduced remaining book. The macro hedge remains in place and continues to be updated to ensure that it continues to provide downside protection in the event of an extreme market dislocation.

The primary focus of all trading activity continues to be managing and hedging the market risk arising from client-related activity, and directional exposures remain at a minimum. Utilisation of risk limits have remained moderate, and the desks have remained prudent during the year.

Traded market risk governance structure

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

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

Measurement of traded market risk

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

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

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

Traded market risk management, monitoring and control

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

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

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

NOTES TO RISK AND CAPITAL MANAGEMENT
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Value at Risk

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

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

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

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

	31 March 2023				31 March 2022			
95% one-day VaR £'000	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Equities	295	324	762	124	381	479	742	335
Foreign exchange	8	13	76	3	5	9	69	1
Interest rates	43	33	73	15	21	28	172	8
Credit	64	14	67	1	1	13	89	1
Consolidated*	**352**	**331**	**770**	**103**	**370**	**469**	**699**	**340**

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

Expected shortfall

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

95% one-day ES £'000	31 March 2023	31 March 2022
Equities	366	530
Foreign exchange	15	7
Interest rates	68	36
Credit	163	1
Consolidated*	**472**	**525**

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

Stressed VaR

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

£'000	31 March 2023	31 March 2022
99% one-day sVaR	**672**	**858**

NOTES TO RISK AND CAPITAL MANAGEMENT
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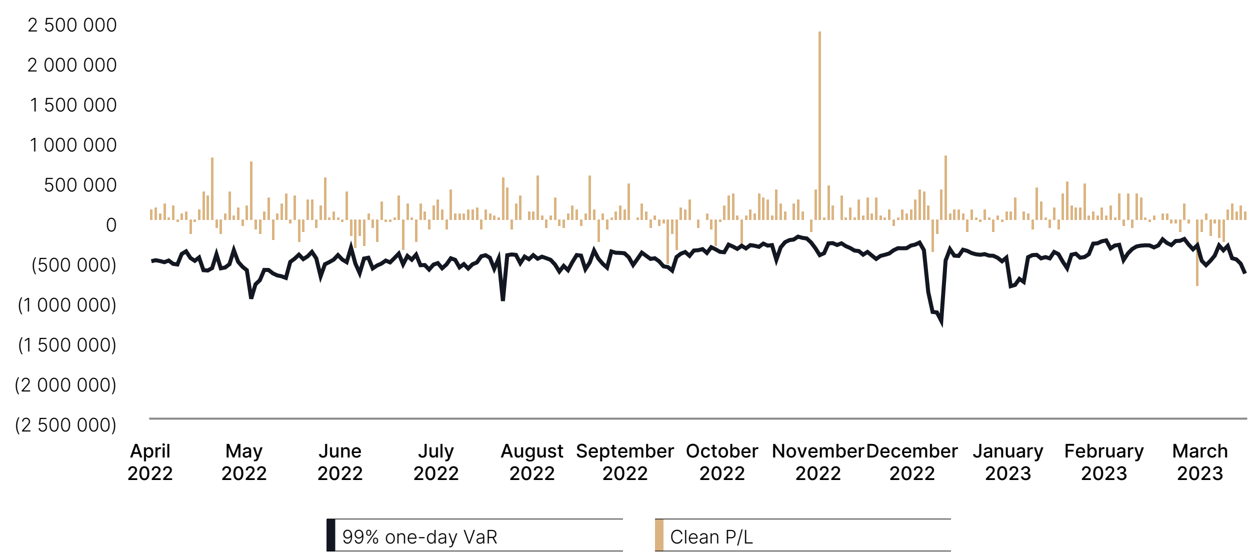
Backtesting

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

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

The average VaR for the year ended 31 March 2023 was lower than for the year ended 31 March 2022. Using clean profit and loss data for backtesting resulted in one exception over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than the two to three exceptions expected over a one-year period which reflects the continued de-risking in the structured product book and the limited net market risk exposure in the trading book, as well as the volatility experienced in 2020 still being captured in the historic two-year period of the VaR model for a portion of the reporting period.

99% one-day VaR backtesting (£)



NOTES TO RISK AND CAPITAL MANAGEMENT
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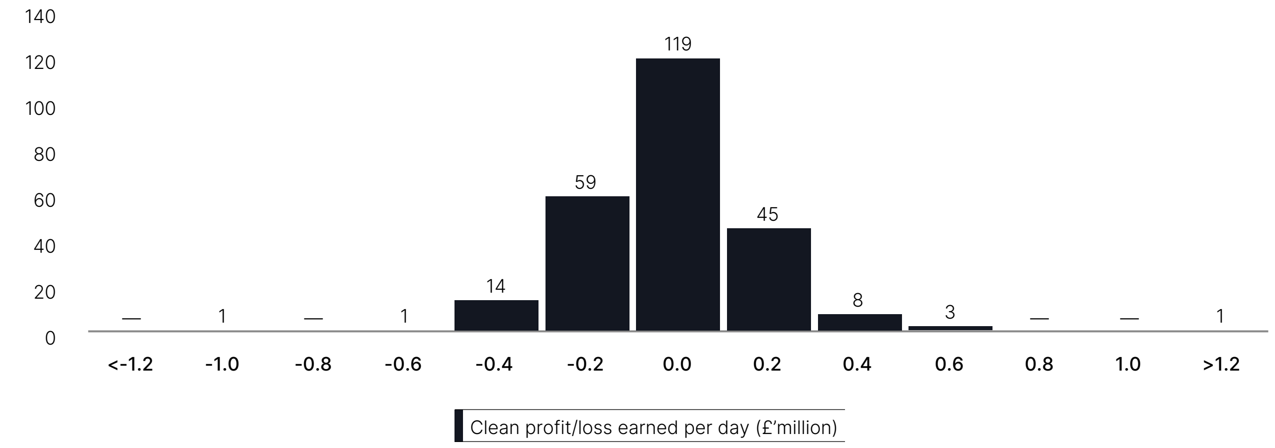
Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 176 days out of a total of 251 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2023 was £87 798 (31 March 2022: £55 676).

Clean profit and loss

Frequency: Days in the year



Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 186 and 187.

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

NOTES TO RISK AND CAPITAL MANAGEMENT
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63. Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and IRRBB.

Balance sheet risk governance structure and risk mitigation

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

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

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

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

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

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

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

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

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

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

Liquidity risk

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

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

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

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

- An internal 'survival horizon' metric which models the number of days it takes before the Bank's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

  - Liquidity Coverage ratio (LCR)
  - Net Stable Funding ratio (NSFR)
- An array of liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the Bank's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

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

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

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

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

Funding strategy

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

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

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

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

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

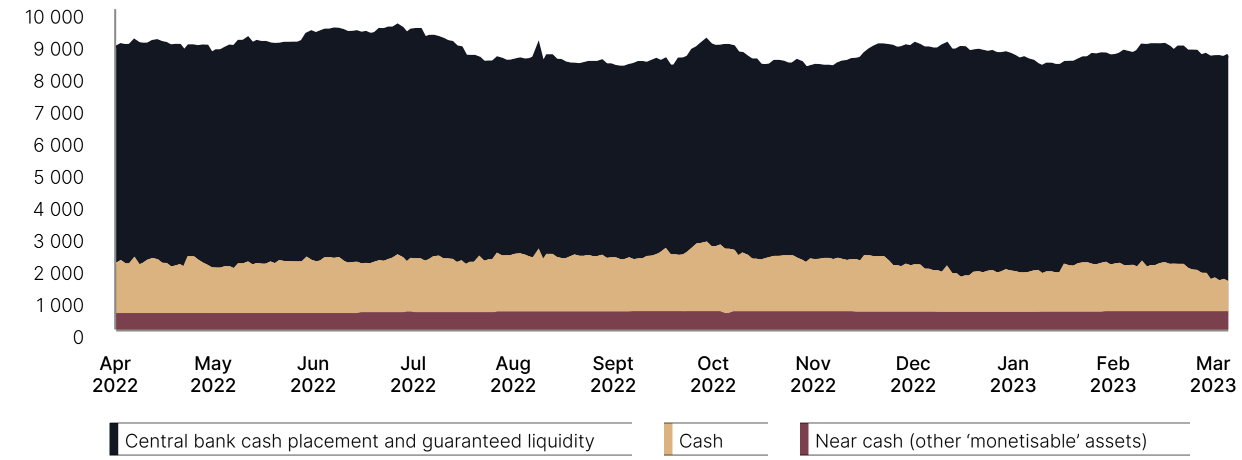
Liquidity buffer

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

From 1 April 2022 to 31 March 2023 average cash and near cash balances over the period amounted to £8.7 billion.

Cash and near cash trend

£'million



NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of cash and near cash at 31 March 2023

£8 550 million

Central bank cash placements and guaranteed liquidity	83.0%
Cash	10.3%
Near cash (other 'monetisable' assets)	6.7%

Contingency planning

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

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

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

Further information on recovery and resolution planning can be found on page 269.

Customers accounts (deposits) by type at 31 March 2023

£19 251 million

Individuals	63.2%
Other financial institutions and corporates	28.7%
Small business	8.1%

Asset encumbrance

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

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

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

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

On page 184 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

NOTES TO RISK AND CAPITAL MANAGEMENT
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Liquidity mismatch

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

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

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

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

Contractual liquidity at 31 March 2023

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	6 195	93	—	—	—	5	—	6 293
Investment/trading assets	318	987	489	485	450	767	1 097	4 593
Securitised assets	—	—	1	—	1	23	53	78
Advances	140	686	756	1 148	1 799	7 890	3 321	15 740
Other assets	1	560	59	41	44	467	367	1 539
Assets	**6 654**	**2 326**	**1 305**	**1 674**	**2 294**	**9 152**	**4 838**	**28 243**
Deposits – banks	(347)	—	(1)	(5)	—	(1 819)	—	(2 172)
Deposits – non-banks	(6 468)	(684)	(4 539)	(2 994)	(3 110)	(1 452)	(4)	(19 251)
Negotiable paper	(1)	(3)	(27)	(67)	(71)	(796)	(176)	(1 141)
Securitised liabilities	—	(8)	(1)	—	(1)	(23)	(49)	(82)
Investment/trading liabilities	(137)	(589)	(7)	—	(54)	(21)	(65)	(873)
Subordinated liabilities	—	—	—	(70)	—	—	(661)	(731)
Other liabilities	(10)	(470)	(206)	(39)	(100)	(307)	(71)	(1 203)
Liabilities	**(6 963)**	**(1 754)**	**(4 781)**	**(3 175)**	**(3 336)**	**(4 418)**	**(1 026)**	**(25 453)**
Total equity	—	—	—	—	—	—	(2 790)	(2 790)
Contractual liquidity gap	**(309)**	**572**	**(3 476)**	**(1 501)**	**(1 042)**	**4 734**	**1 022**	**—**
Cumulative liquidity gap	(309)	263	(3 213)	(4 714)	(5 756)	(1 022)	—	

Behavioural liquidity at 31 March 2023

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**5 719**	**417**	**(3 588)**	**(1 838)**	**(1 925)**	**239**	**976**	**—**
Cumulative	5 719	6 136	2 548	710	(1 215)	(976)	—	

NOTES TO RISK AND CAPITAL MANAGEMENT
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Interest rate risk in the banking book (IRRBB)

Measurement and management of IRRBB

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

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

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

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

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

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

Sources of IRRBB include:

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

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

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

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

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

In December 2022 the Board approved the initiation of a structural hedging programme to reduce the sensitivity of earnings to short-term interest rate movements. The Bank assigned an evenly amortising profile to an eligible amount of tangible equity with average duration of 2.5 years evenly distributed over the period. The termed equity is then hedged on a matched basis. Given the short duration of time in which the hedge has existed and the path of interest rates to date, there has been no material earnings impact.

NOTES TO RISK AND CAPITAL MANAGEMENT
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Net interest income sensitivity at 31 March 2023

IRRBB is measured and monitored using an income sensitivity approach. The tables below reflect an illustrative annualised net interest income value sensitivity to a 0.25% parallel shift in interest rates, based on modelled assumptions, assuming no management intervention.

million	All (GBP)
25bps down	(13.7)
25bps up	12.7

Economic value (EV) sensitivity at 31 March 2023

IRRBB is measured and monitored using the EV sensitivity approach. The table below reflects an illustrative economic value sensitivity to a 2% parallel shift in interest rates, based on modelled assumptions, assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

million	All (GBP)
200bps down	16.6
200bps up	(13.1)

Interest rate risk – IBOR reform

During the financial year, the Bank has progressed the transition of the remaining USD assets referencing IBOR to referencing alternative rates. We still continue to monitor the transition of the remaining USD LIBOR linked products to alternative rates, ahead of the cessation of the remaining USD IBORs on 30 June 2023 with progress updates to DLC BRCC and IBP BRCC.

Given progress to date, the Bank has limited remaining risks with respect to ongoing IBOR reform. These risks include but are not limited to the following:

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

NOTES TO RISK AND CAPITAL MANAGEMENT
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Regulatory requirements

Liquidity risk

The two minimum BCBS standards for funding liquidity are:

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

Following the UK's departure from the EU and subsequent temporary transitional power (TTP), liquidity and capital regulations have been fully subsumed into UK legislation. As such, the LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 31 March 2023 the LCR was 432% for IBP (solo basis).

Within the UK, the NSFR has become a binding requirement for banks since January 2022. Banks are now required to maintain a minimum NSFR of 100%. The NSFR at 31 March 2023 was 138% for IBP (solo basis).

Investec plc undertakes an annual ILAAP SS 24/15 which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards before being provided to the PRA for use, alongside the Liquidity Supervisory Review and Evaluation Process, to determine the bank's Individual Liquidity Guidance, also known as a Pillar II requirement.

IRRBB

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

The regulatory framework requires banks to assess their Pillar II requirements, including those related to IRRBB, as part of their ICAAP in accordance with PS22/21 and SS31/15. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards.

Balance sheet risk year in review

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

Funding continues to be dynamically raised through a mix of customer liabilities diversified by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of depositors. Those diversified funding channels have proven to be capable of raising funding throughout the year supporting both strong asset growth and the conclusion of our strategy to transition our retail deposits to the new lower cost platform and despite the ongoing geopolitical uncertainties, inflationary pressures and recent market volatility. The new retail deposit products have continued to demonstrate strong growth in the market and have been complemented by the launch of our Notice Saver product in July 2022.

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

Wholesale issuance in the year took advantage of market windows to focus on both additional opportunities and refinance maturities to lengthen term, with the added benefit of continuing to diversify the debt capital markets investor base. As a result we have no requirement to issue in the wholesale markets in the financial year to end March 2024. As of March 2023, the preferred resolution strategy for IBP remained Modified Insolvency with no MREL requirement in excess of its minimum capital requirements. However the BoE informed IBP at a meeting held in June 2023 that the preferred resolution strategy will be changed to bail-in and as such a new, revised increased MREL requirement will be imposed. End-state MREL will apply from 1 January 2032. Any additional requirements will be met as part of increasing wholesale market issuance from the existing established base.

As at 31 March 2023, IBP had £1.2 billion of drawings under the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME) maturing in late 2025.

Funding consists primarily of customer deposits, with loans and advances to customers as a percentage of customer deposits at 80.9% at 31 March 2023. We are therefore well positioned from a funding and liquidity perspective if there was to be further disruption to financial markets given both the highly diversified nature of IBP's deposit base and the reliance on term and notice deposits rather than demand deposits. Deposits grew by 3.4% over the year to £19.3 billion. Granularity of deposits is a key area of focus and IBP has a substantial portion of eligible deposits that are covered by FSCS protection. The FSCS is a UK government-backed scheme designed to provide protection to eligible customers, to the maximum value of £85 000, in the event that a financial institution is unable to meet its financial obligations.

Cash and near cash balances at 31 March 2023 amounted to £8.6 billion (31 March 2022: £8.9 billion).

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

Looking forward, the focus remains on maintaining a strong liquidity position in light of overall market volatility. Funding continues to be actively raised, across a diverse funding base, in line with a medium- to long-term strategy to reduce the overall tenor-adjusted cost of the liability base supported by stable credit ratings.

Refer to page 41 for further detail on credit ratings

NOTES TO RISK AND CAPITAL MANAGEMENT
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64. Operational risk

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

Management and measurement of operational risk

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

The key operational risk practices are as follows:

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

Operational risk governance framework

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

Roles and responsibilities

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

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

Committees

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

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

- Operational risk:

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

- Technology, information security and cyber risk:

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

The UK Technology Management Committees monitor technology risks for the UK entities and escalate current and emerging risks to the DLC IT Risk and Governance Committee and relevant local risk governance forums and committees.

NOTES TO RISK AND CAPITAL MANAGEMENT
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Risk appetite

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

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

Operational risk year in review

Key operational risk themes

During the year the Bank remained focused on the management of the following key operational risks:

Business disruption and operational resilience risk

- The growing global regulatory requirements for operational resilience increased the compliance expectations and delivery of stakeholder value.

Information security and cyber risk

- Cognisant of the increasing volume and sophistication of cyber-related attacks, information security and cyber risk continue to represent a key concern for the Bank
- New business models for ransomware and cyber extortion were observed. In response, the Bank performed targeted attack assessments and control adequacy evaluations by independent specialists
- Geopolitical tensions have resulted in an increase in nation state cyber-warfare risk
- The Bank's risk exposure was well managed and no material impact or losses attributed to cyber events were recorded.

People risk

- An increasingly competitive skills market necessitated targeted strategies to source and retain human capital.

Regulatory compliance risk

- Increasingly stringent regulatory compliance obligations continued to be a focus for the Group
- There has been a sustained focus by regulators on resilience in the financial services sector and emphasis placed on working towards ensuring a financial system that is fair, efficient and resilient
- Material regulatory developments in the UK for the Bank are:
  - The implementation of the new Consumer Duty Act, which requires higher standards of consumer protection and ensures that firms prioritise good customer outcomes
  - The Edinburgh Reforms (c.30 policy initiatives) which include a review of the Senior Managers and Certification Regime, consumer credit legislation, retail investment disclosures regime (PRIIPs), and various wholesale regulations including Short Selling, Prospectus Regime and MiFIDII
  - The implementation of the Basel 3.1 standards impacting the amount of capital banks need to hold against risks they are exposed to.

Third party risk

- The Group's strategic intent towards digitalisation placed increased reliance on third party services and cloud providers
- Enhanced third party review, due diligence and risk management practices were a key focus area
- Monitoring of financial health, adverse media, and cyber posture of key third parties was implemented
- Process improvements and staff training remain areas of focus to mitigate risk events in this category
- The Bank enhanced its focus on operational resilience, as well as concentration risk, associated with our third parties and their fourth parties.

Operational risk events

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

Insurance

The Bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

Please refer to pages 78 to 81 of the Investec Group's 2023 risk and governance report for additional information regarding compliance, reputational risk and legal risk.

NOTES TO RISK AND CAPITAL MANAGEMENT
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65. Recovery and resolution planning

The purpose of the recovery plan is to document how the Investec plc Board and management will plan for Investec plc to recover from extreme financial stress to avoid liquidity and capital difficulties. The plans are reviewed and approved by the IBP and Investec plc Boards on an annual basis.

The focus of the Investec plc recovery plan is the recovery of IBP and the protection of its depositors and other clients. The plan:

- Integrates with existing contingency planning
- Identifies roles and responsibilities
- Identifies early warning indicators and trigger levels
- Analyses how the Group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the Boards and management to respond to the situation, including immediate, intermediate and strategic actions
- Identify the recovery capacity available to avoid resolution actions
- Run externally facilitated simulations or firedrill exercises as required by the regulations.

The Bank Recovery and Resolution Directive (BRRD) was implemented in the UK via the UK Banking Act 2009. It was recently amended by the BRRD (Amendment) (EU Exit) Regulation 2020, which implemented into UK law certain amendments to the BRRD which were required to be implemented prior to the UK leaving the EU.

The BoE, the UK resolution authority has the power to intervene in and resolve a financial institution that is no longer viable. This is achieved through the use of various resolution tools, including the transfer of business and creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency.

The PRA has made rules that require authorised institutions to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery options that authorised institutions could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the services provided, as well as the structure and operation of the authorised institution in question which will be used by the BoE to develop resolution strategies for that specific institution, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In line with PRA and onshored EU requirements, Investec plc maintains a resolution pack and a recovery plan. Even though the recovery plan is framed at Investec plc level, given that IBP constitutes over 76% of Investec plc's balance sheet, the focus of this document is the recovery of IBP and the protection of its depositors and other clients.

Similarly, the resolution pack is drafted for Investec plc. As Investec plc is an approved UK Financial Holding Company (FHC) and IBP is its most significant entity, the Investec plc resolution strategy is expected to be driven and determined by IBP's resolution strategy.

The BoE confirmed in March 2021 the preferred resolution strategy for IBP remains Modified Insolvency and the Minimum Requirement for own funds and Eligible Liabilities (MREL) requirement is set as equal to IBP's Total Capital Requirement (Pillar 1 plus Pillar 2A). The BoE informed IBP at a meeting held in June 2023 that IBP's preferred resolution strategy will change to Bail-in and as such a revised increased MREL requirement will be imposed. End-state MREL will apply from 1 January 2032. Further details will be shared once the formal letter has been received from the BoE confirming the change.

NOTES TO RISK AND CAPITAL MANAGEMENT
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66. Capital management and allocation

Current regulatory framework

IBP is authorised by the PRA and is regulated by the FCA and the PRA. The Bank calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) were onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018.

A summary of capital adequacy and leverage ratios

	31 March 2023*	31 March 2022*
Common Equity Tier 1 ratio**	12.7%	12.0%
Common Equity Tier 1 ratio (fully loaded)***	12.4%	11.6%
Tier 1 ratio**	14.1%	13.6%
Total Capital ratio**	18.5%	18.2%
Risk-weighted assets (£'million)**	17 308	16 462
Leverage exposure measure (£'million)^	24 945	23 874
Leverage ratio^	9.8%	9.3%
Leverage ratio (fully loaded)^ ***	9.6%	9.1%

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2023 and 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 21bps (31 March 2022: 37bps) higher, on this basis.

** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis.

IBP applies the Standardised Approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. Effective 1 January 2022, IBP has implemented the outstanding CRR II changes to be implemented in the UK, most notably the new Standardised Approach for measuring Counterparty Credit Risk (SA-CCR) and changes to the large exposure regime.

IBP is not subject to the minimum leverage ratio requirement of 3.25% under the UK leverage ratio framework, but is subject to a 'supervisory expectation' to manage excessive leverage by ensuring the leverage ratio does not fall below 3.25%. For simplicity, the same leverage ratio exposure measure and capital measure applies to all UK banks (including the exemption of central bank reserves and reflect updated international standards).

Subsidiaries of IBP may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

Year under review

During the year under review, IBP complied with the capital adequacy requirements imposed on it by the PRA.

IBP continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2023, the CET1 ratio increased to 12.7% from 12.0% at 31 March 2022. CET1 capital increased by £213 million to £2 billion, mainly as a result of:

- CET1 capital generation of £314 million through profit after taxation
- A decrease in foreseeable charges and dividends of £25 million
- An increase in other comprehensive income of £5 million, including the reversal of the cash flow hedge reserve which is not recognised in CET1 capital.

The increases were partially offset by:

- Dividends paid to ordinary shareholders and Additional Tier security holders of £112 million
- An increase of £9 million in the goodwill and intangible assets net of deferred taxation deduction
- A decrease of £29 million in the IFRS 9 transitional add-back adjustment.

Risk-weighted assets (RWAs) increased by 5% or £846 million to £17.3 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £882 million. Exchange rate differences caused a net increase in RWAs of £228 million in the period, reflecting mainly the strengthening of the US Dollar and Euro against the British Pound. The remaining increase reflects asset growth in Fund Solutions, Growth and Leveraged Finance and Corporate Secured Project Finance.

Counterparty credit risk RWAs (including credit valuation adjustment risk) decreased by £170 million compared to 31 March 2022, primarily driven by a decrease in repurchase agreements and derivative financial instruments.

Market risk RWAs decreased by £97 million, mainly due to a decrease in the collective investment undertaking position risk.

Operational risk RWAs increased by £231 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 9.8% from 9.3% at 31 March 2022. The increase is primarily driven by an increase in CET1 capital of £213 million, offset by an increase of £1 billion in the leverage exposure measure. The leverage exposure measure increase is predominantly attributable to foreign exchange movements as well as asset growth across multiple balance sheet line items, most notably in derivative financial instruments, loans to customers and repurchase agreements.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Philosophy and approach

The Bank's approach to capital management utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a Total Capital ratio range of between 14% and 17% on a consolidated basis, and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance. The internal capital framework is based on the Group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the Board's risk appetite across all risks faced by the Group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the Group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the ICAAP and subsequent Supervisory Review and Evaluation Process (SREP) review.

The framework has been approved by the Board and is managed by the IBP Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.

Significant regulatory developments in the period

On 30 November 2022, the PRA published a consultation paper on the Implementation of the Basel 3.1 standards, which set out the proposed rules and expectations that cover parts of the Basel 3 standards that remain to be implemented in the UK and relate to the calculation of RWAs. The rule changes are expected to take effect from 1 January 2025. The Basel 3.1 standards aim to restore credibility in risk-weighted ratios, by introducing more robust and risk-sensitive Standardised Approaches, whilst curtailing the RWA benefits Internal Models can provide. The proposals aim to advance the PRA's primary objective to promote the safety and soundness of the firms that it regulates. By improving the measurement of risk, the PRA are of the view that it will help ensure firms are adequately capitalised given the risks they are exposed to. Whilst the PRA are proposing limited adjustments to the international standards in order to adhere to the global reforms, they have proposed the removal of several onshored EU discretions, such as the SME supporting factor. The consultation closed for comment on 31 March 2023.

On 12 December 2022, the Financial Policy Committee (FPC) increased the UK CCyB rate from 0% to 1%. On 5 July 2022, the FPC announced that it is further increasing the UK CCyB rate from 1% to 2%, with effect from 5 July 2023. From the FPC meetings held on 28 November 2022, 8 December 2022 and 23 March 2023 the FPC noted that, despite the global and UK economic outlooks having deteriorated and financial conditions having tightened, the UK banking system can absorb the impact of the expected weakening in the economic situation while continuing to meet credit demand from creditworthy households and businesses. The FPC therefore confirmed they will be maintaining the UK CCyB rate at 2% (effective 5 July 2023).

Pillar 3 disclosure requirement

The Pillar 3 disclosures for Investec plc and IBP are published in a standalone disclosure report and can be found on the Investec Group's website. The sub-set of Pillar 3 disclosures the Bank is required to disclose are included in appendix A of this report.

Capital planning and stress/scenario testing

A capital plan is prepared for IBP and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the Board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital plans are prepared and presented to the capital committees on a monthly basis. The plans are updated with the actual month-end position and forecast out to the end of the fiscal year, taking into account updated profit and loss and asset growth forecasts.

The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, the three-year capital plans are stressed based on conditions most likely to cause IBP duress. The conditions are agreed by the IBP Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite. At a minimum level, each capital plan assesses the impact on our capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the IBP Capital Committee, the DLC Capital Committee and the IBP BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the Board, for considering the appropriate response.

Reverse stress testing is performed annually as part of the ICAAP process.

Capital requirements country-by-country reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the Bank to publish certain additional information in respect of the year ended 31 March 2023. The Country-by-Country information can be found on the Investec Group's website.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Capital structure

£'million	31 March 2023*	31 March 2022*
Shareholder's equity	**2 486**	**2 215**
Shareholder's equity excluding non-controlling interests	2 539	2 296
Foreseeable charges and dividends	(36)	(61)
Deconsolidation of special purpose entities	(17)	(20)
Non-controlling interests	**—**	**—**
Non-controlling interests per balance sheet	1	1
Non-controlling interests excluded for regulatory purposes	(1)	(1)
Regulatory adjustments to the accounting basis	**15**	**71**
Additional value adjustments	(5)	(6)
Cash flow hedging reserve	(28)	—
Adjustment under IFRS 9 transitional arrangements	48	77
Deductions	**(306)**	**(304)**
Goodwill and intangible assets net of deferred taxation	(300)	(291)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(2)	(8)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(4)	(5)
Common Equity Tier 1 capital**	**2 195**	**1 982**
Additional Tier 1 instruments	250	250
Tier 1 capital**	**2 445**	**2 232**
Tier 2 capital**	**764**	**766**
Tier 2 instruments	764	766
Total regulatory capital**	**3 209**	**2 998**

Risk-weighted assets and capital requirements

	Risk-weighted assets**		Capital requirements**	
£'million	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	17 308	**16 462**	**1 385**	**1 317**
Credit risk	14 118	13 332	1 129	1 066
Equity risk	153	57	13	5
Counterparty credit risk	487	591	39	47
Credit valuation adjustment risk	37	103	3	8
Market risk	511	608	41	49
Operational risk	2 002	1 771	160	142

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 21bps (31 March 2022: 37bps) higher, on this basis.
** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Leverage

£'million	31 March 2023*	31 March 2022*
Total exposure measure	24 945	23 874
Tier 1 capital**	2 445	2 232
Leverage ratio^	**9.8%**	**9.3%**
Total exposure measure (fully loaded)	24 896	23 797
Tier 1 capital (fully loaded)	2 396	2 155
Leverage ratio (fully loaded)* ^**	**9.6%**	**9.1%**

Total regulatory capital flow statement

£'million	31 March 2023*	31 March 2022*
Opening Common Equity Tier 1 capital	**1 982**	**1 868**
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(112)	(73)
Profit after taxation	314	233
Foreseeable charges and dividends	25	(36)
Share-based payment adjustments	—	4
Movement in other comprehensive income	34	15
Cash flow hedging reserve	(28)	—
Goodwill and intangible assets (deduction net of related taxation liability)	(9)	7
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	4
Deconsolidation of special purpose entities	3	(12)
Gains or losses on liabilities at fair value resulting from changes in own credit standing	—	(12)
IFRS 9 transitional arrangements	(29)	(16)
Other, including regulatory adjustments and other transitional arrangements	9	—
Closing Common Equity Tier 1 capital	**2 195**	**1 982**
Opening Additional Tier 1 capital	250	250
Closing Additional Tier 1 capital	250	250
Closing Tier 1 capital	**2 445**	**2 232**
Opening Tier 2 capital	766	472
Issued capital	346	348
Redeemed capital	(348)	—
Other, including regulatory adjustments and other transitional arrangements	—	(54)
Closing Tier 2 capital	**764**	**766**
Closing total regulatory capital	**3 209**	**2 998**

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 21bps (31 March 2022: 37bps) higher, on this basis.
** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).
*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).
^ The leverage ratios are calculated on an end-quarter basis.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

67. Investec Bank plc Company risk disclosures

Investec Bank plc Company follows the Group risk policies and appetite disclosure on pages 43 to 59 and 232 to 235. The market risk in the trading book is the same at the Group and Company level, the disclosure is made on pages 256 to 259. The following tables present the risk disclosures for the Company which are required under IFRS 7. Equivalent Investec Bank plc Group disclosures can be found on page 236, page 243 and page 254.

An analysis of gross core loans, asset quality and ECL

£'million	31 March 2023	31 March 2022
Loans and advances to customers per the balance sheet	11 827	10 930
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(3)
Net core loans	**11 822**	**10 927**
of which amortised cost and FVOCI ('subject to ECL')	11 372	10 419
of which FVPL	450	508
Add: ECL	108	89
Gross core loans	**11 930**	**11 016**
of which amortised cost and FVOCI ('subject to ECL')	11 480	10 508
of which FVPL	450	508

£'million	31 March 2023	31 March 2022
Gross core loans	**11 930**	**11 016**
Gross core loans at FVPL	450	508
Gross core loans subject to ECL*	**11 480**	**10 508**
Stage 1	10 234	9 662
Stage 2	966	607
of which past due greater than 30 days	27	19
Stage 3	280	239
ECL	**(108)**	**(89)**
Stage 1	(27)	(21)
Stage 2	(21)	(22)
Stage 3	(60)	(46)
Coverage ratio		
Stage 1	0.25%	0.22%
Stage 2	2.2%	3.8%
Stage 3	21.4%	19.2%
Credit loss ratio	**0.40%**	**0.13%**
ECL impairment charges on core loans	(44)	(13)
Average gross core loans subject to ECL	10 994	9 752
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	220	193
Aggregate collateral and other credit enhancements on Stage 3	231	201
Stage 3 as a % of gross core loans subject to ECL	2.4%	2.3%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.9%	1.9%

* Refer to definitions on page 277.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

67. Investec Bank plc Company risk disclosures (continued)

An analysis of gross credit and counterparty exposures

£'million	31 March 2023	31 March 2022
Cash and balances at central banks	5 380	5 327
Loans and advances to banks	237	536
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	1 447
Sovereign debt securities	373	323
Bank debt securities	201	58
Other debt securities	1 405	1 149
Derivative financial instruments	524	628
Securities arising from trading activities	28	26
Loans and advances to customers	11 929	11 016
Other loans and advances	3 200	3 027
Other securitised assets	4	5
Other assets	38	116
Total on-balance sheet exposures	**24 658**	**23 658**
Guarantees	27	40
Committed facilities related to loans and advances to customers	2 299	1 927
Contingent liabilities, letters of credit and other	384	326
Total off-balance sheet exposures	**2 710**	**2 293**
Total gross credit and counterparty exposures	**27 368**	**25 951**

Summary of investments held

£'million Category	On-balance sheet value of investments 31 March 2023	On-balance sheet value of investments 31 March 2022
Unlisted investments	46	70
Listed equities	1	—
Total investment portfolio	**47**	**70**
Warrants and profit shares	5	6
Total	**52**	**76**

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the Group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the Board of Directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below for the Group

£'000	31 March 2023	31 March 2022
Operating profit before goodwill, acquired intangibles and strategic actions	408 776	287 683
Add: Loss attributable to non-controlling interests	—	—
Adjusted operating profit	**408 776**	**287 683**

Annuity income	Net interest income plus net annuity fees and commissions Refer to page 142.
Core loans	The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans.

£'million	31 March 2023	31 March 2022
Loans and advances to customers per the balance sheet	15 568	14 426
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(3)
Net core loans	**15 563**	**14 423**
of which amortised cost and FVOCI ('subject to ECL')	15 012	13 814
of which FVPL	551	609
Add: ECL	146	134
Gross core loans	**15 709**	**14 557**
of which amortised cost and FVOCI ('subject to ECL')	15 158	13 948
of which FVPL	551	609

Cost to income ratio	Refer to calculation in the table below for the Group

£'000	31 March 2023	31 March 2022
Operating costs (A)	833 061	760 286
Total operating income before expected credit loss impairment charges	1 308 577	1 073 332
Add: Loss attributable to non-controlling interests	—	—
Total (B)	1 308 577	1 073 332
Cost to income ratio (A/B)	**63.7%**	**70.8%**

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 142
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

Cash and near cash

Includes cash, near cash (other 'monetisable' assets) and central bank cash placements and guaranteed liquidity

ECL

Expected credit loss

Funds under management

Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and lease receivables.

Refer to page 142 for calculation

Interest-bearing liabilities

Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, and lease liabilities.

Refer to page 142 for calculation

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero

Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of Group restructures

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 255 for detail

Subject to ECL

Includes financial assets held at amortised cost and FVOCI

GLOSSARY

A2X	A2X Markets stock exchange (South Africa)
AGM	Annual general meeting
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BaaS	Banking-as-a-Service
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CLO	Collateralised loan obligation
COO	Chief Operating Officer
COVID	Corona Virus Disease
CPI	Consumer Price Index
CRD IV	Capital Requirements Directive IV
CRD V	Capital Requirements Directive V
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
EVA	Economic Value Added
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
G-SIB	Global systemically important banks
GDP	Gross domestic product
Group ERC	Group Executive Risk Committee
GFSC	Guernsey Financial Services Commission
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
HNW	High net worth
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP PDMRs	IBP Persons Discharging Managerial Responsibilities
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IBOR	Interbank offered rate
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal Ratings Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage ratio
LGD	Loss given default
LHS	Left hand side
LIBOR	London Inter-bank Offered Rate
LSE	London Stock Exchange
LTIP	Long-term incentive plan
LTV	Loan-to-value
MDR	Mandatory Disclosure Rules
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NED	Non-Executive Director
NSFR	Net Stable Funding ratio
NSX	Namibian Stock Exchange
NZBA	Net-Zero Banking Alliance
OECD	Organisation for Economic Co-operation and Development

GLOSSARY CONTINUED

OTC	Over the counter
PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PDMR	Persons Discharging Managerial Responsibilities
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RWA	Risk-weighted asset
RFR	Risk-free rate
SA-CCR	Standardised Approach for measuring Counterparty Credit Risk
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SIPP	Self Invested Personal Pension
SMCR	Senior Management and Certification Regime
SME	Small and Medium-sized Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
sVaR	Stressed VaR
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
VR	Variable Remuneration
W&I	Wealth & Investment

CREDIT RATINGS

In terms of our DLC structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the Investec group, namely IBP and Investec Bank Limited (IBL). Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

On 11 January 2023, Moody's affirmed IBP's long-term deposit rating at A1 (stable outlook) and Investec plc's rating at Baa1 (stable outlook).

On 1 March 2023, Fitch affirmed IBP's long-term Issuer Default Rating (IDR) at BBB+ (stable outlook).

Our ratings at 27 June 2023 were as follows:

Rating agency	Investec plc	IBP A subsidiary of Investec plc
Fitch		
Long-term ratings		BBB+
Short-term ratings		F2
Outlook		Stable
Moody's		
Long-term ratings	Baa1	A1
Short-term ratings	P-2	P-1
Outlook	Stable	Stable

Further information on Investec's credit ratings may be found on our website.

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