OUT OF THE ORDINARY

Creating enduring worth

Investec annual report 2023

Investec Group risk and governance report

Alternative performance measures

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

Audited information

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

Page references

Refers readers to information elsewhere in this report.

Website

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

Group sustainability

Refers readers to further information in the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com

Reporting standard

Denotes our consideration of a reporting standard.

Integrating sustainability

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

Overview of disclosure requirements

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

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the Investec Group's 2023 risk and governance annual report on pages 27 to 91 with further disclosures provided within the Investec Group's 2023 annual financial statements.

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

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

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

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

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Risk disclosures

01

IN THIS SECTION

STATEMENT FROM THE GROUP CHIEF RISK OFFICER

A summary of the year in review from a risk perspective

The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework, embedding a culture of risk consciousness in all staff. The risk appetite framework is set taking into consideration prevailing market conditions and Investec'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 across both core geographies in a risk conscious manner. The Group 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 global systemically important bank (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 conservative risk appetites at Investec.

In the UK, loans and advances to customers as a percentage of customer deposits remained conservative at 81.4%. Investec plc 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.

In the UK, 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 44.7% 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 fair value through other comprehensive income (FVOCI). At 31 March 2023, the Liquidity Coverage ratio (LCR) for Investec plc was 383% and the Net Stable Funding ratio (NSFR) was 147%, both metrics well ahead of current minimum regulatory requirements.

In South Africa, funding continues to be raised through a diverse mix of customer liabilities by customer type, currency, channel and tenor. Our medium to long term focus remains strengthening the Group's structural funding profile through growing the retail deposit base and encouraging our transactional deposit offering. Loans and advances to customers as a percentage of customer deposits remained conservative at 70.2%. Cash and near cash balances at 31 March 2023 amounted to R171.4 billion (31 March 2022: R159.5 billion). Consistent with our liquidity management philosophy, we delivered liquidity ratios well above the regulatory requirements. Investec Bank Limited (consolidated Group) ended the year to 31 March 2023 with the three-month average of its LCR at 153.6% and NSFR of 116.4%.

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 Group'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.

In the UK, IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ (stable outlook).

IBL's national long-term ratings remain sound at Aa1.za from Moody's, AA+(zaf) from Fitch and za.AA from S&P.

Adjustments in the sovereign rating of South Africa will lead to an automatic adjustment in the ratings of the major banks in South Africa, including IBL. The reduction of IBL's long- or short-term credit ratings could increase borrowing costs and limit access to capital markets. We have opportunistically taken advantage of liquidity to strengthen our US dollar balance sheet to counteract this risk.

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 Group's net core loan book to £30.2 billion or 7.7% growth in neutral currency.

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

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

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

Although the current macro-environment presents certain pressures, the Group was able to maintain asset performance and the credit loss ratio remains below 'through-the cycle' levels at 0.23% (31 March 2022: 0.08%). The UK credit loss ratio is trending towards the top end of the 'through-the-cycle' range 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. In South Africa, although increased since March

STATEMENT FROM THE GROUP CHIEF RISK OFFICER
CONTINUED

2022, the credit loss ratio remains low at 0.08% at 31 March 2023 (31 March 2022: 0.00%) as a result of new impairments being offset by reversals of certain prior year specific provisions, post write-off recoveries as well as a partial release in management ECL overlay. Excluding the post write-off recoveries and the release in management ECL overlay the reported credit loss ratio would be 0.26% (31 March 2022: 0.12%).

In the UK, Stage 3 exposures totalled 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. In South Africa Stage 3 has increased to 2.8% of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 1.9%) mainly due to a few single name exposures migrating from both Stage 1 and Stage 2.

In the UK, Stage 2 exposures totalled 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. In South Africa Stage 2 exposures decreased to 4.9% of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 5.9%) mainly due to various corporate exposures which have improved post COVID-19 as well certain single name exposures migrating to Stage 3.

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

The Group has maintained a lower level of post-model management overlays 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. In the UK, a remaining management overlay of £4.9 million at 31 March 2023 is apportioned to Stage 2 assets. In South Africa, the overlay has been reduced to R113 million at 31 March 2023. Stage 3 ECLs continue to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Further detail on key judgements can be found on page 50

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, which now includes c.10% holding in Ninety One, totalled £1 331 million at 31 March 2023 (£1 159 million excluding the Ninety One holding).

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

The Group continued to maintain a sound balance sheet with a low gearing ratio of 10.7 times and a core loans to equity ratio of 5.7 times at 31 March 2023. Our leverage ratios for Investec Limited and Investec plc were 6.5% and 9.4% respectively, ahead of the Group's minimum 6% target level.

The Group maintained a sound capital position with a Common Equity Tier 1 (CET1) ratio of 12.0% for Investec plc (standardised approach) and 14.7% for Investec Limited (IRB approach) at 31 March 2023. Investec plc is targeting a minimum CET1 ratio above 10%, a Tier 1 ratio above 11% and a Total Capital ratio range of 14% to 17%, on a consolidated basis. Investec Limited is targeting a minimum CET1 ratio between 11.5% and 12.5%, a Tier 1 ratio > 12.5% and a Total Capital ratio > 15% on a consolidated basis. We remain ahead of our Group targets and well in excess of regulatory minimums.

Investec Limited received approval in the year to adopt the Advanced Internal Ratings-Based (AIRB) approach for measurement of capital on the income producing real estate (IPRE) portfolio. Investec also migrated the high volatility commercial real estate (HVCRE) portfolio to the slotting approach, a subset of the Foundation Internal Ratings-Based (FIRB) approach, creating further optionality for capital deployment. This resulted in a CET1 reduction of 242bps.

Investec Limited successfully executed R5.5 billion of the R7 billion DLC share buyback programme announced to the market in September 2022. As at 31 March 2023 CET1 reduced by R5.3 billion, being R1.1 billion relating to Investec Limited treasury shares and R4.2 billion due to the deduction of Investec Limited's investment in Investec plc's shares at market value.

Investec plc 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. 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. The recent FATF greylisting status of South Africa has not had a material impact on the Group to date with consequential risks being closely monitored. Investec continues to evolve risk-based practices to respond to industry developments.

STATEMENT FROM THE GROUP CHIEF RISK OFFICER
CONTINUED

Succession planning was the 'flavour of the year' topic for both the PRA and South African PA for the year ended 31 March 2023. Succession risk remains well controlled within the Group and is further covered in the DLC Nominations and Directors Affairs Committee (DLC Nomdac) report on page 94.

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

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

Our viability statement is provided on page 147 of the Investec Group's 2023 integrated and strategic annual report

Further detail on stress testing framework can be found on page 8

Outlook

Fundamental risk performance during the period has been solid and management remains focused on maintaining the sound underlying balance sheets, notwithstanding the macro-economic pressures we continue to face in our areas of operation, including the potentially higher-for-longer interest rate environment in the UK and the loadshedding and upcoming elections in South Africa. 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.

Mark Currie

Group Chief Risk Officer

27 June 2023

SALIENT FEATURES

Salient features

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

	UK and Other^^		Southern Africa^^^		Total Group	
Year to 31 March	**2023 £**	**2022 £**	**2023 R**	**2022*** R**	**2023 £**	**2022*** £**
Net core loans (million)	15 563	14 423	320 711	298 411	30 179	29 934
Total assets (excluding assurance assets) (million)	28 433	27 804	635 618	598 836	57 184	58 828
Total risk-weighted assets (million)	17 767	16 980	283 600	319 048	30 693^	33 567^
Total equity (million)	2 719	2 680	61 506	62 529	5 332	5 740
Cash and near cash (million)	8 550	8 871	171 400	159 454	16 361	17 161
Customer accounts (deposits) (million)	19 116	18 286	448 513	419 948	39 556	40 118
Loans and advances to customers as a % of customer deposits	81.4%	78.9%	70.2%	69.3%	75.6%	73.7%
Structured credit as a % of total assets*	2.5%	1.5%	0.2%	0.3%	1.4%	0.9%
Banking book investment and equity risk exposures as a % of total assets*	2.0%	2.1%	2.8%	3.5%	2.4%	2.8%
Traded market risk: 95% one-day value at risk (million)	0.4	0.4	10.1	4.8	n/a	n/a
Core loans to equity ratio	5.7x	5.4x	5.2x	4.8x	5.7x	5.2x
Total gearing ratio**	10.5x	10.4x	10.3x	9.6x	10.7x	10.2x
Return on average assets#	1.07%	0.94%	1.05%	0.90%	1.06%	0.92%
Return on average risk-weighted assets#	1.73%	1.47%	2.13%	1.54%	1.91%	1.50%
Stage 3 exposures as a % of gross core loans subject to ECL	2.3%	2.1%	2.8%	1.9%	2.5%	2.0%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.8%	1.6%	2.2%	1.5%	2.0%	1.6%
Credit loss ratio	0.37%	0.17%	0.08%	0.00%	0.23%	0.08%
Level 3 (fair value assets) as a % of total assets	6.5%	6.4%	2.9%	2.0%	4.7%	4.1%
Common Equity Tier 1 ratio##	12.0%	11.7%	14.7%	14.0%	n/a	n/a
Tier 1 ratio##	13.4%	13.1%	15.9%	15.0%	n/a	n/a
Total Capital ratio##	17.5%	16.8%	18.3%	17.5%	n/a	n/a
Leverage ratio##	9.4%	9.2%	6.5%	7.4%	n/a	n/a

* Total assets excluding assurance assets.
^ The Group numbers have been 'derived' by adding Investec plc and Investec Limited (Rand converted into Pound Sterling) numbers together.
\# Where return represents adjusted earnings attributable to ordinary shareholders, as defined on page 123. Average balances are calculated on a straight-line average.
\## The CET1, Tier 1, Total Capital adequacy ratio, leverage ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).
** Total assets excluding assurance assets to total equity.
^^ The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £55 million (31 March 2022: £44 million) for Investec plc would lower the CET1 ratio by 31bps (31 March 2022: 28bps)
^^^ Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET1 ratio would be 117bps (31 March 2022: 134bps) lower respectively.
*** Restated as detailed on page 149 of of the Investec Group's 2023 annual financial statements.

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

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the Board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised below with further information pertaining to the management and monitoring of these principal risks shown in the references provided.The Board, through its various sub-committees, has performed a robust assessment of these principal risks and regular reporting of these risks is made to the Board.

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

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

The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the Group. Reverse stress tests are conducted to stress the Group's business plan to failure and consider a broad variety of extreme and remote events. These processes allow the Group to proactively identify underlying risks and manage them accordingly.

The Group 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.

Overall Group risk appetite

The Group 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 statements and frameworks for Investec plc and Investec Limited set out the Board's mandated risk appetite. The risk appetite statements ensure that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The risk appetite frameworks act as a guide to determine the acceptable risk profile of the Group.

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

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

PRINCIPAL RISKS
CONTINUED

An overview of the principal risks relating to our operations

Link to strategy – key

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 Group, 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

More information

Read more on pages 27 to 49

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

We target a credit loss ratio of less than 0.5% for both Investec plc and Investec Limited (less than 1.5% and 1.25% under a weak economic environment/stressed scenario for Investec plc and Investec Limited respectively). We target Stage 3 net of ECL as a % of net core loans subject to ECL to be less than 2% for Investec plc (excluding the legacy portfolio*; less than 4% under a weak economic environment/ stressed scenario) and at the lower end of 1.5% - 4% for Investec Limited (with the upper end of the range related to a weak economic environment/stressed scenario).

Positioning as of 31 March 2023

We currently remain within all tolerance levels given the current weakened economic environment. The Group credit loss ratio was calculated at 0.23% for 31 March 2023 (31 March 2022: 0.08%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.7% for Investec plc (excluding the Legacy portfolio*) and 2.2% for Investec Limited.

- Refer to definitions on page 125

PRINCIPAL RISKS
CONTINUED

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 27

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 if required
- 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 for Investec plc and 7.5% of Tier 1 capital for Investec Limited. We also have a number of risk tolerance limits and targets for specific asset classes.

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

More information

Read more on page 28

Monitoring and mitigation activities

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

Risk appetite and tolerance metric

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

Positioning as of 31 March 2023

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

PRINCIPAL RISKS
CONTINUED

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 28, 55 and 56 and pages 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 28, 55 and 56 and pages 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
- We have linked ESG metrics and KPIs to Executive Directors compensation.

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

Investment risk

Investment risk arises where the Group invests in unlisted companies and select property investments, as well as certain listed investments (predominantly relating to Ninety One) with risk taken directly on the Group's balance sheet

Link to strategy and opportunities

More information

Read more on pages 57 and 58

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

Risk appetite and tolerance metric
We have moderate appetite for investment risk, and set a risk tolerance for our unlisted principal investment portfolio of less than 30% of CET1 capital for Investec plc and 12.5% of Tier 1 capital for Investec Limited (excluding the proportionately consolidated portion of Investec Property Fund's (IPF) unlisted investments). Investec Limited has set a risk tolerance of 15% of total Tier 1 capital for the exposure to the IEP Group.

Positioning as of 31 March 2023
Our unlisted investment portfolios amounted to £315 million for Investec plc and R3.7 billion for Investec Limited (excluding the proportionately consolidated portion of IPF's unlisted investments), 15.2% of CET1 capital for Investec plc and 8.1% of total Tier 1 capital for Investec Limited. Exposure to the IEP Group totalled R4.7 billion, representing 10.4% of total Limited Tier 1 capital.

Market risk in the trading book

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

Link to strategy and opportunities

More information

Read more on pages 61 to 65

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

Risk appetite and tolerance metric
Market risk arises through our trading activities which are primarily focused on supporting client activity. Appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £3.5 million for Investec plc and less than R15 million for Investec Limited.

Positioning as of 31 March 2023
We met these internal limits; one-day 95% VaR was £0.4 million for Investec plc and R10.1 million for Investec Limited at 31 March 2023.

PRINCIPAL RISKS
CONTINUED

Liquidity risk

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

Link to strategy and opportunities

More information

Read more on pages 66 to 75

Monitoring and mitigation activities

- Our banking entities in South Africa and the UK are ring-fenced from one another and are required to meet the regulatory liquidity requirements in the jurisdictions in which they operate
- Each banking entity must be self-sufficient from a funding and liquidity standpoint
- Investec plc undertakes an annual Internal Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP Board Risk and Capital Committee (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
- The Group maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency
- Our core loans must be fully funded by stable funding
- The Group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow
- The balance sheet risk management teams independently monitor key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruptions
- As part of the broader Financial Sector Laws Amendment Act, South Africa is in the final stages of implementing a deposit insurance scheme aimed at improving the financial system's ability to absorb shocks by improving depositor confidence
- 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 cater for shocks to the system, targeting a minimum cash and near cash to customer deposit ratio of 25% for both Investec plc and Investec Limited.

Positioning as of 31 March 2023

Total cash and near cash balances amounted to £16.4 billion at year end representing 41.4% of customer deposits.

PRINCIPAL RISKS
CONTINUED

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

More information

Read more on pages 72 to 75

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 treasurers develop strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the Liability Product and Pricing Forum and ALCO
- Each banking entity has its own Board-approved IRRBB policy and risk appetite, which is clearly defined in relation to both income risk and economic value risk
- These policies dictate that long-term (>one year) 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 Group’s risk appetite framework as a proportion of capital and net interest income in order to limit volatility.

Positioning as of 31 March 2023

Both Investec plc and Investec Limited are within these tolerance metrics. The UK regulatory framework requires banks to assess their Pillar II requirements, including those related to IRRBB, as part of their ICAAP. The South African PA has adopted the new IRRBB regulatory reforms as outlined in Basel Committee on Banking Supervision (BCBS) d368. These new IRRBB standards were implemented on 1 January 2023.

PRINCIPAL RISKS
CONTINUED

Capital risk

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

Link to strategy and opportunities

More information

Read more on pages 83 to 91

Monitoring and mitigation activities

- Both the Investec plc and Investec Limited Groups undertake an approach to capital management that utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements
- A detailed assessment of the regulatory and internal capital position of each Group is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed by IBL, IBP, PLC and DLC Capital Committees before being recommended for approval to IBL BRCC, IBP BRCC, DLC BRCC and the respective 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 DLC Capital Committee (mandated by DLC 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	Positioning as of 31 March 2023
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 for Investec plc and >15% for Investec Limited. We target a minimum CET1 ratio of >10% for Investec plc and between 11.5% and 12.5% for Investec Limited. We target a minimum Tier 1 ratio of >11% for Investec plc and >12.5% for Investec Limited.	Investec plc and Investec Limited met all these targets. Capital has grown over the period.
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%.	The leverage ratios were 9.4% and 6.5% for Investec plc and Investec Limited respectively.

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

More information

Read more on page 78

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

Risk appetite and tolerance metric	Positioning as of 31 March 2023
We have a number of policies and practices in place to mitigate and/or manage reputational risks.	We have continued to mitigate and/or manage these risks where possible throughout the year.

PRINCIPAL RISKS
CONTINUED

Business and strategic risk

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

Link to strategy and opportunities

More information

Read more on pages 5 to 82 of the Investec Group's 2023 integrated and strategic annual report

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

Risk appetite and tolerance metric	Positioning as of 31 March 2023
We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions.	Capital light activities contributed 34.4% to total operating income and balance sheet driven activities contributed 65.6%.
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%.	Annuity income amounted to 81.2% of total operating income.
We seek to maintain strict control over fixed costs. The Group has a medium-term cost to income ratio target of below 63%.	The cost to income ratio amounted to 59.6%.
We aim to build a sustainable business generating sufficient return to shareholders over the longer term, and target a long-term return on equity ratio of between 12% and 16%, and a return on RWAs in excess of 1.2%.	The return on equity amounted to 13.7% and our return on RWAs amounted to 1.91%.

PRINCIPAL RISKS
CONTINUED

Operational risk

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

Link to strategy and opportunities

More information

Read more on pages 76 to 81

Monitoring and mitigation activities

- The Group manages operational risk through an embedded operational risk management framework
- Operational risk sub-types which are significant in nature are managed by dedicated specialist teams within the Group. These operational risk sub-types are addressed in specific, detailed risk policies and procedures, but are included within the operational risk management framework and are reported and monitored within the operational risk appetite.

These sub-types include:

- Business disruption and operational resilience risk
- Conduct risk
- Data management risk
- Financial crime risk
- Fraud risk
- Information security and cyber risk
- 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 as of 31 March 2023
The Group continued to monitor operational risk losses 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

More information

Read more on pages 76 and 77

Monitoring and mitigation activities

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

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 Group

Link to strategy and opportunities

More information

Read more on pages 76, 77 and 79 to 81

Monitoring and mitigation activities
- Our approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates with integrity and puts the wellbeing of its clients at the heart of how the business is run
- Products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action 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
- Conduct Committees exist in the UK and South Africa with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.

Operational risk – Data management risk

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

Link to strategy and opportunities

More information

Read more on pages 76 and 77

Monitoring and mitigation activities
- Investec 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.

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

More information

Read more on pages 76, 77 and 79 to 81

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

PRINCIPAL RISKS
CONTINUED

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

More information

Read more on pages 76 and 77

Monitoring and mitigation activities

- Investec 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
- An independent integrity (whistleblowing) line is in place to ensure that staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies
- Fraud risk assessments are conducted to proactively identify and map existing preventative and detective controls to the relevant fraud risks to ensure effective mitigation
- Fraud prevention and detection controls are enhanced on an ongoing basis in response to increased fraud losses across the industry and new fraud modus operandi
- Industry collaboration assists with fraud prevention efforts and the recovery of funds that have been paid away
- Adherence to fraud prevention policies is proactively monitored
- Practices which comply with updated regulations, industry guidance and best practice are embedded within the Group
- Awareness of existing and horizon fraud threats is created through internal training and education of clients and intermediaries on fraud prevention and detection.

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 Group's operations and data

Link to strategy and opportunities

More information

Read more on pages 76 and 77

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 Group's security position
  - Regular security training to all staff ensures high levels of awareness and vigilance.

PRINCIPAL RISKS
CONTINUED

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 pages 76, 77 and 78

Monitoring and mitigation activities
- Members of the legal risk function in both the UK and South Africa 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 Group 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 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.

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

More information

Read more on pages 76 and 77

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

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

More information

Read more on 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
- There are a number of graduate programmes operating across our organisation sourcing and developing our talent pipeline
- Internal mobility is a valued mechanism for the development and retention of people
- Our people and organisation team plays a critical role in assisting the business to achieve its strategic objectives, which are matched to learning strategies and market trends
- The people and organisation team is mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values
- The people and organisation team also works with leadership to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

PRINCIPAL RISKS
CONTINUED

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

More information

Read more on pages 76 and 77

Monitoring and mitigation activities

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

Operational risk – Regulatory compliance risk

The 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

More information

Read more on pages 76, 77 and 79 to 81

Monitoring and mitigation activities

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

Operational risk – Tax risk

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

Link to strategy and opportunities

More information

Read more on pages 76 , 77, 79 and 81

Monitoring and mitigation activities

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

PRINCIPAL RISKS
CONTINUED

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

More information

Read more on pages 76 and 77

Monitoring and mitigation activities
- The technology environment is proactively monitored for continuous visibility of operational performance and availability
- Mature incident management processes and continuity plans 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.

Operational risk – Third party risk

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

Link to strategy and opportunities

More information

Read more on pages 76 and 77

Monitoring and mitigation activities
- 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.

PRINCIPAL RISKS
CONTINUED

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the Group.

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

These emerging risks are highlighted below and should be read in the context of our approach to risk management and our overall Group risk appetite framework.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Emerging and other risks are factored into the Board's viability assessment on page 147 of the Investec Group's 2023 integrated and strategic annual report.

Macro-economic and geopolitical risks

	Risk trend since 2022	**Links to principal risks**	**More information**
The Group is subject to inherent risks arising from general macro-economic and geopolitical conditions in the countries in which it operates, in particular the UK and South Africa, which includes potential outcomes and impacts of the national elections in both jurisdictions taking place in 2024. The Group considers global economic and geopolitical conditions including the risk associated with increasing international tension and political polarisation, wars and terrorist acts that detract from peaceful international relations and contribute to economic instability. Macro-economic risks include a rising interest rate environment to counter rising inflation compounded by supply chain issues and rising commodity prices which may lead to a recession. 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.	↑	• Credit and counterparty risk • Country risk • Business risk • Regulatory compliance risk • Conduct risk • Business disruption and operational resilience risk • Interest rate risk in the banking book	See page 51 to 54 for more information on forward-looking macro-economic scenarios and pages 17 to 22 of the Investec Group's 2023 integrated and strategic annual report

People risk

	Risk trend since 2022	**Links to principal risks**	**More information**
The Group focuses on building a strong, diverse and capable workforce. The risk associated with staff recruitment and retention in an extremely competitive market, with shortage of certain skills, is continuously considered and reviewed. We are constantly considering the future world of work, how we prioritise a safe working environment for employees and remain relevant and forward thinking, with a focus on adaptability and agility in response to a changing environment. The Group's culture and performance is a high priority when considering working arrangements as well as consequential impacts on talent retention.	↔	• People risk • Conduct risk • Regulatory and compliance risk	See pages 110 and 111 of the Investec Group's 2023 integrated and strategic annual report

Developments in the technology landscape

	Risk trend since 2022	**Links to principal risks**	**More information**
The Group 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 technology players and cloud platforms is increasing. Growing reliance on technology service providers heightens the potential impact of third party disruption, cyber threats and data breaches. Developments in the technology landscape are closely monitored to ensure appropriate response and management of disruptive effects on the Group. 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 Group's risk profile is continually tracked, with consideration given to key controls related to cyber risk, technology integration, data privacy and vendor resiliency.	↑	• Technology risk • Third party risk • Concentration risk • Information security and cyber risk • Fraud risk • Business disruption and operational resilience risk	See pages 76 and 77 and pages 23 to 25 of the Investec Group's 2023 integrated and strategic annual report

PRINCIPAL RISKS
CONTINUED

Fluctuations in exchange rates could have an adverse impact on the Group's results

The Group's reporting currency is Pound Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of individual companies are reported in the local currencies of the countries in which they are domiciled, including Rands, Euros, US Dollars and Swiss Francs. These results are then translated into Pound Sterling at the applicable foreign currency exchange rates for inclusion in the Group's financial statements.

In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used. Exchange rates between local currencies and Pound Sterling have fluctuated substantially over the financial year.

Risk trend since 2022

↔

Links to principal risks

- Business risk
- Regulatory compliance risk
- Country risk

More information

See page 24 of the Investec Group's 2023 year-end results booklet

Credit ratings impact the Group's borrowing costs and its access to debt capital markets

Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry. The reduction in the Group's respective banking entities' long- or short-term credit ratings could increase their borrowing costs and limit their access to capital markets.

Adjustments in the sovereign rating of South Africa will lead to an automatic adjustment in the ratings of the major banks in South Africa, including IBL. South Africa's sovereign rating from Moody's remained at Ba2 over the period, although the negative outlook was upgraded to stable on 1 April 2022. Fitch also left South Africa's rating unchanged, at BB, and upgraded its negative outlook to stable in December 2022. S&P confirmed South Africa's credit rating at BB-, but after adjusting the outlook to positive in May 2022, it dropped it to stable in March 2023. The improvement in South Africa's outlook attached to the credit ratings was a consequence of lower debt to GDP ratios, both actual and projected, as significant fiscal consolidation had occurred, while GDP was also revised to higher historical levels in Rand terms. The emerging forward-looking concerns include the impact that loadshedding will have on economic growth and so on government revenue and borrowings.

Following the volatile period experienced in March 2023 and the resolution of a European G-SIB, wholesale market spreads widened significantly, particularly in Additional Tier 1 securities. The UK's bank resolution framework, as set out by the Bank of England (BoE), has a clear statutory order in which shareholders and creditors would bear losses in a resolution or insolvency scenario.

Risk trend since 2022

↑

Links to principal risks

- Credit and counterparty risk
- Liquidity risk
- Business risk
- Capital risk

More information

See pages 51 to 54 for more information on forward-looking macro-economic scenarios and page 162 of the Investec Group's 2023 integrated and strategic annual report

Competition is intense in the financial services industry in which the Group operates

The financial services industry is competitive and the Group faces substantial competition in all aspects of its business. The Group has developed leading positions in many of its core areas of activity, but does not take competition lightly, and our strategic objectives continue to focus on building business depth; providing the best integrated solution to our clients; and leveraging our digitalisation strategy in order to remain competitive.

Risk trend since 2022

↔

Links to principal risks

- Business risk
- People risk
- Reputational and strategic risk

More information

See pages 5 to 9 and pages 17 to 21 of the Investec Group's 2023 integrated and strategic annual report

RISK MANAGEMENT APPROACH AND FRAMEWORK

Investec's philosophy and approach to risk management

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

The Board ensures that there are appropriate resources to manage the risks arising from running our businesses.The Group's comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of the businesses to ensure the risks remain within the stated risk appetite. The Board ensures that there are appropriate resources to manage the risks arising from running our businesses.

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

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

Group risk management operates within an integrated but geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the Group.

There are specialist divisions in the UK and South Africa and smaller risk divisions in other regions tasked with promoting sound risk management practices.

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

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

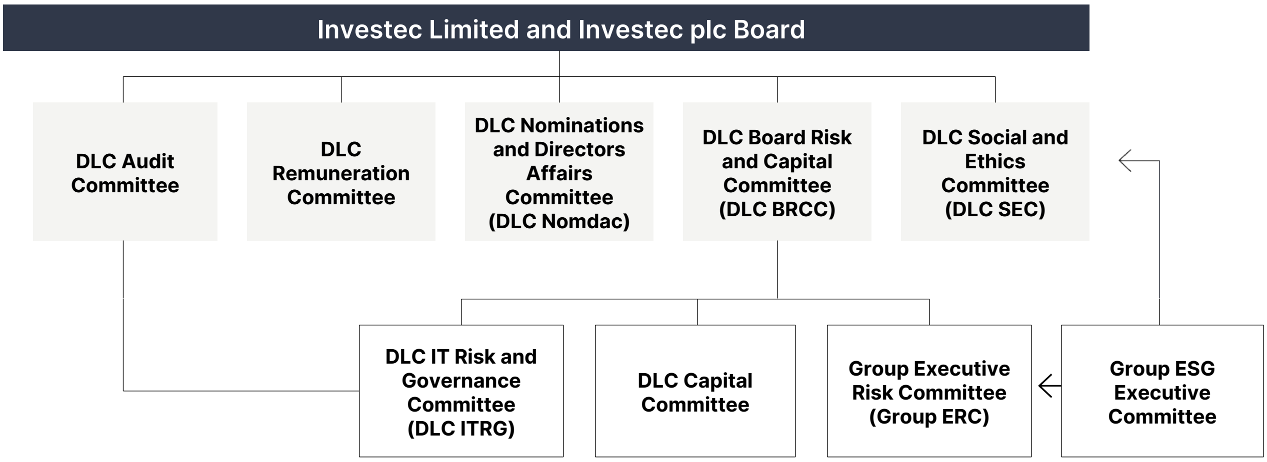
Group risk management objectives are to:

- Ensure adherence to our risk management culture
- Support the long-term sustainability of the Group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to underlying risk parameters and limits across the Group 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 Board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably and with appropriate expertise and facilitate operating independence
- Run appropriate risk committees, as mandated by the Board
- Maintain compliance in relation to regulatory requirements.

RISK MANAGEMENT APPROACH AND FRAMEWORK
CONTINUED

Risk management framework, committees and forums

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



Details on the Board committees highlighted in grey above can be found on the following pages:

- **DLC Audit Committee**: detail on pages 101 to 116
- **DLC Remuneration Committee**: detail on pages 156 to 159 of the Investec Group's 2023 integrated and strategic annual report
- **DLC Nominations and Directors Affairs Committee (DLC Nomdac)**: detail on pages 94 to 96
- **DLC Board Risk and Capital Committee (DLC BRCC)**: detail on pages 117 to 120
- **DLC Social and Ethics Committee (DLC SEC)**: detail on pages 97 to 100

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

- **DLC Capital Committee**: mandated and reporting into the DLC BRCC, assists with the management of capital allocation and structuring, capital planning and models and performance measurement
- **Group ESG Executive Committee:** mandated by the Group's Executive Directors, reports any relevant matters to DLC SEC and Group ERC. The main objectives of the committee are to align and integrate sustainability activities across the organisation while focusing on the many business opportunities within Investec's priority SDGs and escalating significant matters for consideration by the Group's respective committees and leaders. The committee provides feedback to the business on emerging sustainability issues while identifying and communicating to the relevant forums any relevant external issues that could adversely affect the organisation's reputation
- **Group Executive Risk Forum (Group ERC)**: mandated and reporting into the DLC BRCC, assists in the review of risk management policies and practices to ensure adherence to the Group risk appetite and opines on matters escalated from IBP and IBL ERCs and IW&I
- **DLC IT Risk and Governance Committee (DLC ITRG)**: mandated by the DLC BRCC to oversee the sound governance of technology and management of risk inherent in the use of IT, which includes ongoing oversight of technical, security, operational and cyber risks. The objective of the committee is to review, assess, prioritise the response to, and monitor current and emerging technology risk as well as to track the strategic alignment of IT and business.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk management

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

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

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

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

Credit and counterparty risk governance structure

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

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

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

Credit and counterparty risk appetite

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

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

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

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

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

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

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

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

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

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

ESG 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).

→ Refer to pages 55 and 56 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 55 and 56 for further detail

Stress testing and portfolio management

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

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

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

Management and measurement of credit and counterparty risk

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

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

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

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

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

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 31 to 43
- 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 Group's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America, Southern Africa and Australia.

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

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

Credit risk mitigation

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

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

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.
For property-backed lending we also consider the client's overall balance sheet. The following characteristics of the property are also considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreement, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.
Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value (LTV) ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

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

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

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

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

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

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

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

The Group places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the Group will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the Group is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the Group will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2023 amounts to -£3.8 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £0.2 million and total protection sold amounts to -£4.0 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 108 of the Investec Group's 2023 annual financial statements

The Group implements robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants under the laws of the relevant jurisdictions. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

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

UK and Other

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.

Southern Africa

The Stage 3 coverage ratio increased marginally from 21.2% at 31 March 2022 to 21.3% at 31 March 2023.

The overall coverage ratio for Stage 2 has increased from 3.6% at 31 March 2022 to 3.9% at 31 March 2023.

Stage 2 exposures decreased to 4.9% of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 5.9%) mainly due to various corporate exposures which have improved post COVID-19 as well as certain single name exposures migrating to Stage 3. Stage 3 increased to 2.8% of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 1.9%), as a result of a few single name exposures migrating from both Stage 1 and Stage 2.

	UK and Other		Southern Africa		Total Group	
£'million	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022
Gross core loans	**15 709**	**14 557**	**14 764**	**15 651**	**30 473**	**30 208**
Gross core loans at FVPL (excluding fixed rate loans)	551	609	75	80	626	689
Gross core loans subject to ECL*	**15 158**	**13 948**	**14 689**	**15 571**	**29 847**	**29 519**
Stage 1	13 494	12 665	13 558	14 363	27 052	27 028
Stage 2	1 321	992	727	915	2 048	1 907
of which past due greater than 30 days	35	28	34	17	69	45
Stage 3	343	291	404	293	747	584
ECL	**(146)**	**(134)**	**(148)**	**(140)**	**(294)**	**(274)**
Stage 1	(39)	(32)	(34)	(45)	(73)	(77)
Stage 2	(32)	(35)	(28)	(33)	(60)	(68)
Stage 3	(75)	(67)	(86)	(62)	(161)	(129)
Coverage ratio						
Stage 1	0.29%	0.25%	0.25%	0.31%	0.27%	0.28%
Stage 2	2.4%	3.5%	3.9%	3.6%	2.9%	3.6%
Stage 3	21.9%	23.0%	21.3%	21.2%	21.6%	22.1%
Credit loss ratio	**0.37%**	**0.17%**	**0.08%**	**0.00%**	**0.23%**	**0.08%**
ECL impairment charges on core loans	(54)	(22)	(13)	(1)	(67)	(23)
Average gross core loans subject to ECL	14 553	12 969	15 130	14 871	29 683	27 840
An analysis of Stage 3 gross core loans subject to ECL						
Stage 3 net of ECL	268	224	318	231	586	455
Aggregate collateral and other credit enhancements on Stage 3	280	230	380	298	660	528
Stage 3 as a % of gross core loans subject to ECL	2.3%	2.1%	2.8%	1.9%	2.5%	2.0%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.8%	1.6%	2.2%	1.5%	2.0%	1.6%

* Includes portfolios for which ECL is not required for IFRS purposes, but which management evaluates on this basis. These are fixed rate loans which have passed the solely payments of principal and interest (SPPI) test and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. £0.6 billion of the drawn exposure falls into Stage 1 (31 March 2022: £0.9 billion), £1 million in Stage 2 (31 March 2022: £73 million) and the remaining £44 million in Stage 3 (31 March 2022: £47 million). The ECL on the Stage 1 portfolio is £2 million (31 March 2022: £3 million), ECL on the Stage 2 portfolio is £nil (31 March 2022: £1 million) and ECL on the Stage 3 portfolio is £11 million (31 March 2022: £10 million).

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 125.

ASSET QUALITY
CONTINUED

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

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 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. In South Africa, certain corporate exposures improved resulting in transfers from Stage 2 to Stage 1. Stage 3 increased mainly due to a few single name exposures migrating from both Stage 1 and Stage 2. In the UK, 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 in both South Africa and the UK. 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	**23 479**	**(76)**	**1 977**	**(62)**	**697**	**(166)**	**26 153**	**(304)**
Transfer from Stage 1	(864)	3	782	(2)	82	(1)	—	—
Transfer from Stage 2	594	(10)	(773)	15	179	(5)	—	—
Transfer from Stage 3	14	(2)	127	(1)	(141)	3	—	—
ECL remeasurement arising from transfer of stage	—	8	—	(14)	—	(24)	—	(30)
New lending net of repayments (includes assets written off)	3 016	(8)	(254)	9	(254)	62	2 508	63
Changes to risk parameters and models	—	9	—	(11)	—	6	—	4
Foreign exchange and other	789	(1)	48	(2)	21	(4)	858	(7)
At 31 March 2022	**27 028**	**(77)**	**1 907**	**(68)**	**584**	**(129)**	**29 519**	**(274)**
Transfer from Stage 1	(1 182)	8	946	(5)	236	(3)	—	—
Transfer from Stage 2	530	(6)	(632)	9	102	(3)	—	—
Transfer from Stage 3	13	—	10	(1)	(23)	1	—	—
ECL remeasurement arising from transfer of stage	—	5	—	(11)	—	(50)	—	(56)
New lending net of repayments (includes assets written off)	2 195	(15)	(74)	(1)	(117)	17	2 004	1
Changes to risk parameters and models	—	7	—	13	—	(2)	—	18
Foreign exchange and other	(1 532)	5	(109)	4	(35)	8	(1 676)	17
At 31 March 2023	**27 052**	**(73)**	**2 048**	**(60)**	**747**	**(161)**	**29 847**	**(294)**

ASSET QUALITY
CONTINUED

An analysis of credit quality by internal rating grade

The Group uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the Group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to probability of default (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:

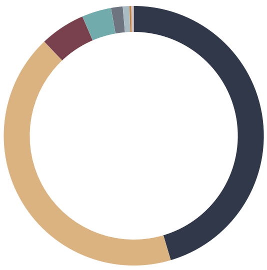
At 31 March 2023 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**15 608**	**12 787**	**705**	**747**	**29 847**
Stage 1	15 185	11 591	276	—	27 052
Stage 2	423	1 196	429	—	2 048
Stage 3	—	—	—	747	747
ECL	**(18)**	**(88)**	**(27)**	**(161)**	**(294)**
Stage 1	(16)	(52)	(5)	—	(73)
Stage 2	(2)	(36)	(22)	—	(60)
Stage 3	—	—	—	(161)	(161)
Coverage ratio	**0.1%**	**0.7%**	**3.8%**	**21.6%**	**1.0%**

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

ASSET QUALITY
CONTINUED

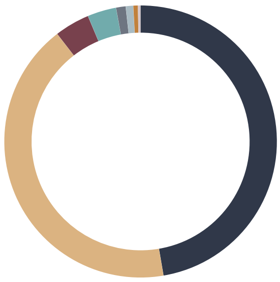
An analysis of total gross core loans by country of exposure

31 March 2023
£30 473 million



United Kingdom	45.4%
South Africa	42.5%
Europe (excluding UK)	5.6%
North America	3.7%
Africa (excluding RSA)	1.5%
Asia	0.8%
Australia	0.2%
Other	0.3%

31 March 2022
£30 208 million



United Kingdom	41.9%
South Africa	47.0%
Europe (excluding UK)	4.8%
North America	3.4%
Africa (excluding RSA)	1.1%
Asia	0.9%
Australia	0.5%
Other	0.4%

ASSET QUALITY
CONTINUED

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

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

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.

Lending collateralised by property – Total Group

	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2023										
Commercial real estate	**3 247**	**(12)**	**516**	**(14)**	**219**	**(40)**	**3 982**	**(66)**	**43**	**4 025**
Commercial real estate – investment	2 829	(10)	470	(14)	212	(37)	3 511	(61)	40	3 551
Commercial real estate – development	378	(2)	40	—	—	—	418	(2)	3	421
Commercial vacant land and planning	40	—	6	—	7	(3)	53	(3)	—	53
Residential real estate	**828**	**(3)**	**125**	**(4)**	**55**	**(18)**	**1 008**	**(25)**	**37**	**1 045**
Residential real estate – investment	455	(1)	46	(2)	13	(1)	514	(4)	35	549
Residential real estate – development	329	(2)	74	(1)	9	(3)	412	(6)	—	412
Residential vacant land and planning	44	—	5	(1)	33	(14)	82	(15)	2	84
Total lending collateralised by property	**4 075**	**(15)**	**641**	**(18)**	**274**	**(58)**	**4 990**	**(91)**	**80**	**5 070**
Coverage ratio		**0.37%**		**2.8%**		**21.2%**		**1.8%**		
At 31 March 2022										
Commercial real estate	**3 789**	**(13)**	**379**	**(12)**	**175**	**(37)**	**4 343**	**(62)**	**46**	**4 389**
Commercial real estate – investment	3 425	(12)	332	(10)	169	(34)	3 926	(56)	42	3 968
Commercial real estate – development	326	(1)	41	(1)	—	—	367	(2)	4	371
Commercial vacant land and planning	38	—	6	(1)	6	(3)	50	(4)	—	50
Residential real estate	**968**	**(3)**	**85**	**(1)**	**46**	**(16)**	**1 099**	**(20)**	**29**	**1 128**
Residential real estate – investment	518	(1)	32	(1)	4	(1)	554	(3)	27	581
Residential real estate – development	402	(2)	52	—	6	(3)	460	(5)	—	460
Residential vacant land and planning	48	—	1	—	36	(12)	85	(12)	2	87
Total lending collateralised by property	**4 757**	**(16)**	**464**	**(13)**	**221**	**(53)**	**5 442**	**(82)**	**75**	**5 517**
Coverage ratio		**0.34%**		**2.8%**		**24.0%**		**1.5%**		

ASSET QUALITY
CONTINUED

Lending collateralised by property – UK and Other

In the UK, 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 UK net core loans at 31 March 2023, which remains in line with the Group's risk appetite to maintain a reduced proportion of net core loan exposures in property-related lending. New lending is 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.

	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

ASSET QUALITY
CONTINUED

Lending collateralised by property – Southern Africa

In South Africa, commercial real estate remained flat year on year in Rands (R52.6 billion at 31 March 2023 compared to R52.3 billion at 31 March 2022) but was down 11.8% in Pounds Sterling. The majority of property lending is against commercial investment properties and are located in South Africa.The management ECL overlay was reduced from R189 million to R113 million.

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Commercial real estate	**2 006**	**(6)**	**285**	**(6)**	**143**	**(24)**	**2 434**	**(36)**	**—**	**2 434**
Commercial real estate – investment	1 909	(6)	258	(6)	142	(24)	2 309	(36)	—	2 309
Commercial real estate – development	70	—	27	—	—	—	97	—	—	97
Commercial vacant land and planning	27	—	—	—	1	—	28	—	—	28
Residential real estate	**217**	**(1)**	**13**	**—**	**10**	**—**	**240**	**(1)**	**—**	**240**
Residential real estate – investment	96	—	7	—	2	—	105	—	—	105
Residential real estate – development	85	(1)	5	—	—	—	90	(1)	—	90
Residential vacant land and planning	36	—	1	—	8	—	45	—	—	45
Total lending collateralised by property	**2 223**	**(7)**	**298**	**(6)**	**153**	**(24)**	**2 674**	**(37)**	**—**	**2 674**
Coverage ratio		**0.31%**		**2.0%**		**15.7%**		**1.4%**		
At 31 March 2022										
Commercial real estate	**2 455**	**(10)**	**227**	**(6)**	**70**	**(16)**	**2 752**	**(32)**	**—**	**2 752**
Commercial real estate – investment	2 321	(10)	224	(6)	70	(16)	2 615	(32)	—	2 615
Commercial real estate – development	104	—	3	—	—	—	107	—	—	107
Commercial vacant land and planning	30	—	—	—	—	—	30	—	—	30
Residential real estate	**292**	**(1)**	**82**	**(1)**	**12**	**—**	**386**	**(2)**	**—**	**386**
Residential real estate – investment	124	—	29	(1)	—	—	153	(1)	—	153
Residential real estate – development	126	(1)	52	—	—	—	178	(1)	—	178
Residential vacant land and planning	42	—	1	—	12	—	55	—	—	55
Total lending collateralised by property	**2 747**	**(11)**	**309**	**(7)**	**82**	**(16)**	**3 138**	**(34)**	**—**	**3 138**
Coverage ratio		**0.40%**		**2.3%**		**19.5%**		**1.1%**		

ASSET QUALITY
CONTINUED

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

Our Private Banking activities target high net worth individuals, active wealth creators, high-income professionals, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors. In South Africa, the private bank also targets newly qualified professionals with high-income earning potential.

Lending products are tailored to meet the requirements of our clients and deliver solutions to enable target clients to create and manage their wealth.

Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, should reduce income volatility) and individuals in defined professions which have historically supported a sustainable income base, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- Mortgages: provides residential mortgage loan facilities to target market clients
- 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.

High net worth and other private client lending – Total Group

	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Mortgages	8 331	(7)	344	(12)	132	(18)	8 807	(37)	25	8 832
Other high net worth lending	4 188	(12)	63	(2)	76	(19)	4 327	(33)	3	4 330
Total high net worth and other private client lending	**12 519**	**(19)**	**407**	**(14)**	**208**	**(37)**	**13 134**	**(70)**	**28**	**13 162**
Coverage ratio		**0.15%**		**3.4%**		**17.8%**		**0.5%**		
At 31 March 2022										
Mortgages	8 160	(5)	312	(9)	118	(15)	8 590	(29)	25	8 615
Other high net worth lending	4 585	(14)	77	(2)	82	(10)	4 744	(26)	3	4 747
Total high net worth and other private client lending	**12 745**	**(19)**	**389**	**(11)**	**200**	**(25)**	**13 334**	**(55)**	**28**	**13 362**
Coverage ratio		**0.15%**		**2.8%**		**12.5%**		**0.4%**		

ASSET QUALITY
CONTINUED

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

In the UK, 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%**		

High net worth and other private client lending – Southern Africa

In South Africa, we have seen continued growth in our high net worth and other private client portfolio and client base as we actively focus on our business strategy to increase our positioning in this space. The high net worth client portfolio and residential mortgage book grew by 4.7% to R164.4 billion at 31 March 2023 (8.3% decline in Pounds Sterling). Growth in both of these areas has been achieved with strong adherence to our carefully defined target market and our risk appetite. The management ECL overlay for the mortgages portfolio of R30 million was released during the year.

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2023										
Mortgages	3 851	(5)	216	(12)	68	(11)	4 135	(28)	—	4 135
Other high net worth lending	3 325	(10)	27	(1)	56	(13)	3 408	(24)	—	3 408
Total high net worth and other private client lending	**7 176**	**(15)**	**243**	**(13)**	**124**	**(24)**	**7 543**	**(52)**	**—**	**7 543**
Coverage ratio		**0.21%**		**5.3%**		**19.4%**		**0.7%**		
At 31 March 2022										
Mortgages	4 165	(4)	226	(9)	61	(11)	4 452	(24)	—	4 452
Other high net worth lending	3 647	(12)	35	(1)	76	(8)	3 758	(21)	—	3 758
Total high net worth and other private client lending	**7 812**	**(16)**	**261**	**(10)**	**137**	**(19)**	**8 210**	**(45)**	**—**	**8 210**
Coverage ratio		**0.20%**		**3.8%**		**13.9%**		**0.5%**		

ASSET QUALITY
CONTINUED

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

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

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

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

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

ASSET QUALITY
CONTINUED

Corporate and other lending – Total Group

	Gross core loans at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Corporate and acquisition finance	4 747	(18)	338	(14)	160	(39)	5 245	(71)	200	5 445
Asset-based lending	271	(1)	44	—	—	—	315	(1)	—	315
Fund finance	1 955	(2)	33	—	—	—	1 988	(2)	75	2 063
Other corporate and financial institutions and governments	523	(2)	105	(1)	4	(1)	632	(4)	32	664
Asset finance	2 169	(12)	329	(9)	42	(17)	2 540	(38)	—	2 540
Small ticket asset finance	1 264	(9)	283	(6)	34	(14)	1 581	(29)	—	1 581
Motor finance	905	(3)	46	(3)	8	(3)	959	(9)	—	959
Aviation finance	231	(2)	39	(1)	—	—	270	(3)	176	446
Power and infrastructure finance	562	(2)	112	(3)	59	(9)	733	(14)	35	768
Total corporate and other lending	**10 458**	**(39)**	**1 000**	**(28)**	**265**	**(66)**	**11 723**	**(133)**	**518**	**12 241**
Coverage ratio		**0.37%**		**2.8%**		**24.9%**		**1.1%**		
At 31 March 2022										
Corporate and acquisition finance	4 186	(21)	535	(29)	75	(23)	4 796	(73)	205	5 001
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 582	(2)	18	—	—	—	1 600	(2)	44	1 644
Other corporate and financial institutions and governments	544	(2)	37	(2)	4	(1)	585	(5)	11	596
Asset finance	2 025	(11)	368	(10)	43	(25)	2 436	(46)	—	2 436
Small ticket asset finance	1 397	(9)	247	(7)	37	(23)	1 681	(39)	—	1 681
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Aviation finance	174	(2)	17	(1)	—	—	191	(3)	244	435
Power and infrastructure finance	663	(3)	52	(2)	41	(2)	756	(7)	70	826
Total corporate and other lending	**9 526**	**(42)**	**1 054**	**(44)**	**163**	**(51)**	**10 743**	**(137)**	**586**	**11 329**
Coverage ratio		**0.44%**		**4.2%**		**31.3%**		**1.3%**		

ASSET QUALITY
CONTINUED

Corporate and other lending – UK and Other

In the UK, 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.

	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										
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
Asset finance	2 047	(12)	325	(9)	38	(14)	2 410	(35)	—	2 410
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
Asset finance	1 811	(10)	363	(10)	35	(20)	2 209	(40)	—	2 209
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
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%**		

ASSET QUALITY
CONTINUED

Corporate and other lending – Southern Africa

In South Africa, corporate and other lending increased by 20.7% to R98.5 billion at 31 March 2023 (5.8% increase in Pounds Sterling) as a result of increased activity and growth across the corporate client base as well as exchange rate movements predominantly in the corporate and acquisition finance and fund finance portfolios.

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Corporate and acquisition finance	2 953	(9)	126	(9)	107	(32)	3 186	(50)	75	3 261
Fund finance	596	(1)	—	—	—	—	596	(1)	—	596
Financial institutions and governments	132	—	35	—	—	—	167	—	—	167
Small ticket asset finance	122	—	4	—	4	(3)	130	(3)	—	130
Aviation finance*	116	(1)	7	—	—	—	123	(1)	—	123
Power and infrastructure finance	240	(1)	14	—	16	(3)	270	(4)	—	270
Total corporate and other lending	**4 159**	**(12)**	**186**	**(9)**	**127**	**(38)**	**4 472**	**(59)**	**75**	**4 547**
Coverage ratio		**0.29%**		**4.8%**		**29.9%**		**1.3%**		
At 31 March 2022										
Corporate and acquisition finance	2 658	(14)	328	(16)	65	(22)	3 051	(52)	80	3 131
Fund finance	388	(1)	—	—	—	—	388	(1)	—	388
Financial institutions and governments	165	—	—	—	1	—	166	—	—	166
Small ticket asset finance	214	(1)	5	—	8	(5)	227	(6)	—	227
Aviation finance*	78	(1)	7	—	—	—	85	(1)	—	85
Power and infrastructure finance	301	(1)	5	—	—	—	306	(1)	—	306
Total corporate and other lending	**3 804**	**(18)**	**345**	**(16)**	**74**	**(27)**	**4 223**	**(61)**	**80**	**4 303**
Coverage ratio		**0.47%**		**4.6%**		**36.5%**		**1.4%**		

* There are additional aviation exposures of £64 million (31 March 2022: £33 million) in Corporate and acquisition finance and nil (31 March 2022: £11 million) in Financial institutions and governments.

CREDIT AND COUNTERPARTY RISK

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £59.0 billion at 31 March 2023. Cash and near cash balances amounted to £16.4 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet. Loans and advances to customers (including committed facilities) account for greater than 96% of overall ECLs.

A An analysis of gross credit and counterparty exposures by geography

	UK and Other		Southern Africa		Total	
£'million	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022
Cash and balances at central banks	5 400	5 380	1 006	585	6 406	5 965
Loans and advances to banks	889	1 460	562	1 092	1 451	2 552
Non-sovereign and non-bank cash placements	—	—	646	687	646	687
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	1 447	2 294	3 163	3 633	4 610
Sovereign debt securities	1 222	1 166	3 531	2 983	4 753	4 149
Bank debt securities	205	62	735	1 454	940	1 516
Other debt securities	698	433	532	802	1 230	1 235
Derivative financial instruments	528	645	585	368	1 113	1 013
Securities arising from trading activities	28	26	306	114	334	140
Loans and advances to customers	15 709	14 557	14 490	15 274	30 199	29 831
Own originated loans and advances to customers securitised	—	—	274	377	274	377
Other loans and advances	143	123	—	6	143	129
Other securitised assets	5	6	—	—	5	6
Other assets	38	116	4	13	42	129
Total on-balance sheet exposures	**26 204**	**25 421**	**24 965**	**26 918**	**51 169**	**52 339**
Guarantees	118	138	1 017	883	1 135	1 021
Committed facilities related to loans and advances to customers	2 345	1 957	3 460	3 480	5 805	5 437
Contingent liabilities, letters of credit and other	384	326	524	480	908	806
Total off-balance sheet exposures	**2 847**	**2 421**	**5 001**	**4 843**	**7 848**	**7 264**
Total gross credit and counterparty exposures	**29 051**	**27 842**	**29 966**	**31 761**	**59 017**	**59 603**

31 March 2023

£59 017 million

Southern Africa	50.8%
UK and Other	49.2%

31 March 2022

£59 603 million

Southern Africa	53.3%
UK and Other	46.7%

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures

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

At 31 March 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	6 406	—	6 406	—	32	6 438
Loans and advances to banks	1 451	—	1 451	—	—	1 451
Non-sovereign and non-bank cash placements	646	6	640	(2)	—	644
Reverse repurchase agreements and cash collateral on securities borrowed	3 633	962	2 671	—	—	3 633
Sovereign debt securities	4 753	400	4 353	(3)	—	4 750
Bank debt securities	940	75	865	(1)	—	939
Other debt securities	1 230	115	1 115	(2)	—	1 228
Derivative financial instruments	1 113	1 113	—	—	273	1 386
Securities arising from trading activities	334	334	—	—	1 298	1 632
Investment portfolio	—	—	—	—	1 331*	1 331
Loans and advances to customers	30 199	1 278	28 921	(293)	—	29 906
Own originated loans and advances to customers securitised	274	—	274	(1)	—	273
Other loans and advances	143	—	143	—	—	143
Other securitised assets	5	5	—	—	98^	103
Interest in associated undertakings and joint venture holdings	—	—	—	—	54*	54
Deferred taxation assets	—	—	—	—	258	258
Current taxation assets	—	—	—	—	69	69
Other assets	42	—	42	—	1 540**	1 582
Property and equipment	—	—	—	—	279	279
Investment properties	—	—	—	—	722	722
Goodwill	—	—	—	—	263	263
Software	—	—	—	—	15	15
Other acquired intangible assets	—	—	—	—	41	41
Non-current assets held for sale	—	—	—	—	36	36
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	—	—	—	—	111	111
Total on-balance sheet exposures	**51 169**	**4 288**	**46 881**	**(302)**	**6 420**	**57 287**
Guarantees	1 135	—	1 135	—	58	1 193
Committed facilities related to loans and advances to customers	5 805	147	5 658	(16)	—	5 789
Contingent liabilities, letters of credit and other	908	285	623	(2)	1 225	2 131
Total off-balance sheet exposures	**7 848**	**432**	**7 416**	**(18)**	**1 283**	**9 113**
Total exposures	**59 017**	**4 720**	**54 297**	**(320)**	**7 703**	**66 400**

Includes £9.1 million of ECL held against financial assets held at FVOCI (fair value through other comprehensive income), which is reported on the balance sheet within the fair value reserves. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.

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

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2022 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets##
Cash and balances at central banks	5 965	—	5 965	—	33	5 998
Loans and advances to banks	2 552	—	2 552	—	—	2 552
Non-sovereign and non-bank cash placements	687	29	658	(2)	—	685
Reverse repurchase agreements and cash collateral on securities borrowed	4 610	1 883	2 727	—	—	4 610
Sovereign debt securities	4 149	406	3 743	(3)	—	4 146
Bank debt securities	1 516	15	1 501	(1)	—	1 515
Other debt securities	1 235	160	1 075	(7)	—	1 228
Derivative financial instruments	1 013	1 013	—	—	578	1 591
Securities arising from trading activities	140	140	—	—	543	683
Investment portfolio	—	—	—	—	913*	913
Loans and advances to customers	29 831	1 693	28 138	(273)	—	29 558
Own originated loans and advances to customers securitised	377	—	377	(1)	—	376
Other loans and advances	129	—	129	(1)	—	128
Other securitised assets	6	6	—	—	118^	124
Interest in associated undertakings and joint venture holdings	—	—	—	—	734*	734
Deferred taxation assets	—	—	—	—	259	259
Current taxation assets	—	—	—	—	34	34
Other assets	129	—	129	—	2 010**	2 139
Property and equipment	—	—	—	—	335	335
Investment properties	—	—	—	—	821	821
Goodwill	—	—	—	—	258	258
Software	—	—	—	—	9	9
Other acquired intangible assets	—	—	—	—	44	44
Non-current assets held for sale	—	—	—	—	79	79
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	—	—	—	—	60	60
Total on-balance sheet exposures	**52 339**	**5 345**	**46 994**	**(288)**	**6 828**	**58 879**
Guarantees	1 021	—	1 021	—	93	1 114
Committed facilities related to loans and advances to customers	5 437	53	5 384	(11)	—	5 426
Contingent liabilities, letters of credit and other	806	234	572	(1)	1 323	2 128
Total off-balance sheet exposures	**7 264**	**287**	**6 977**	**(12)**	**1 416**	**8 668**
Total exposures	**59 603**	**5 632**	**53 971**	**(300)**	**8 244**	**67 547**

Includes £7.7 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserves. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.

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

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

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

Restated as detailed on page 149 of the Investec Group's 2023 annual financial statements.

CREDIT AND COUNTERPARTY RISK
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	6 404	—	2	—	—	—	6 406
Loans and advances to banks	1 358	17	57	19	—	—	1 451
Non-sovereign and non-bank cash placements	607	2	—	37	—	—	646
Reverse repurchase agreements and cash collateral on securities borrowed	2 674	175	404	127	—	253	3 633
Sovereign debt securities	636	706	898	1 296	916	301	4 753
Bank debt securities	230	66	126	376	142	—	940
Other debt securities	65	7	59	353	451	295	1 230
Derivative financial instruments	425	129	223	306	25	5	1 113
Securities arising from trading activities	2	19	7	178	66	62	334
Loans and advances to customers	3 339	2 106	3 448	15 351	3 470	2 485	30 199
Own originated loans and advances to customers securitised	6	3	5	77	46	137	274
Other loans and advances	8	—	—	65	58	12	143
Other securitised assets	—	—	—	—	—	5	5
Other assets	42	—	—	—	—	—	42
Total on-balance sheet exposures	**15 796**	**3 230**	**5 229**	**18 185**	**5 174**	**3 555**	**51 169**
Guarantees	197	48	204	671	8	7	1 135
Committed facilities related to loans and advances to customers	1 027	228	375	2 305	618	1 252	5 805
Contingent liabilities, letters of credit and other	101	25	117	544	55	66	908
Total off-balance sheet exposures	**1 325**	**301**	**696**	**3 520**	**681**	**1 325**	**7 848**
Total gross credit and counterparty exposures	**17 121**	**3 531**	**5 925**	**21 705**	**5 855**	**4 880**	**59 017**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 31 March 2023							
Cash and balances at central banks	—	—	—	—	6 406	—	—
Loans and advances to banks	—	—	—	—	—	—	1 451
Non-sovereign and non-bank cash placements	—	—	29	1	—	50	101
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	253	6	3 323
Sovereign debt securities	—	—	—	—	4 744	—	9
Bank debt securities	—	—	—	—	—	—	940
Other debt securities	—	51	—	—	6	113	667
Derivative financial instruments	—	7	2	33	—	15	971
Securities arising from trading activities	—	—	—	—	246	16	42
Loans and advances to customers	12 953	5 005	115	974	337	1 839	3 536
Own originated loans and advances to customers securitised	209	65	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	130
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	3	—	30
Total on-balance sheet exposures	**13 162**	**5 128**	**146**	**1 008**	**11 995**	**2 039**	**11 200**
Guarantees	215	68	1	61	—	149	476
Committed facilities related to loans and advances to customers	2 286	660	57	536	100	381	904
Contingent liabilities, letters of credit and other	172	64	—	246	72	17	246
Total off-balance sheet exposures	**2 673**	**792**	**58**	**843**	**172**	**547**	**1 626**
Total gross credit and counterparty exposures	**15 835**	**5 920**	**204**	**1 851**	**12 167**	**2 586**	**12 826**
At 31 March 2022							
Cash and balances at central banks	—	—	—	—	5 965	—	—
Loans and advances to banks	—	—	—	—	—	—	2 552
Non-sovereign and non-bank cash placements	—	—	56	30	—	74	94
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	7	4 062
Sovereign debt securities	—	—	—	—	4 149	—	—
Bank debt securities	—	—	—	—	—	—	1 516
Other debt securities	—	—	—	109	10	49	661
Derivative financial instruments	—	—	2	119	—	8	692
Securities arising from trading activities	—	—	—	—	52	2	77
Loans and advances to customers	12 985	5 517	157	1 088	346	1 818	2 897
Own originated loans and advances to customers securitised	377	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	111
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	52
Total on-balance sheet exposures	**13 362**	**5 517**	**215**	**1 346**	**11 007**	**1 958**	**12 714**
Guarantees	269	82	2	66	—	149	317
Committed facilities related to loans and advances to customers	2 394	682	67	372	74	313	778
Contingent liabilities, letters of credit and other	171	83	—	191	61	29	207
Total off-balance sheet exposures	**2 834**	**847**	**69**	**629**	**135**	**491**	**1 302**
Total gross credit and counterparty exposures	**16 196**	**6 364**	**284**	**1 975**	**11 142**	**2 449**	**14 016**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	—	6 406
—	—	—	—	—	—	—	—	—	—	1 451
178	203	4	—	—	26	—	12	—	42	646
1	—	—	7	—	17	—	26	—	—	3 633
—	—	—	—	—	—	—	—	—	—	4 753
—	—	—	—	—	—	—	—	—	—	940
—	85	—	61	70	20	—	81	—	76	1 230
18	18	2	4	—	11	—	27	—	5	1 113
6	6	—	—	4	—	—	3	—	11	334
640	1 279	199	276	—	194	142	925	959	826	30 199
—	—	—	—	—	—	—	—	—	—	274
—	2	—	—	11	—	—	—	—	—	143
—	—	—	—	5	—	—	—	—	—	5
—	—	—	—	—	—	—	—	—	9	42
843	**1 593**	**205**	**348**	**90**	**268**	**142**	**1 074**	**959**	**969**	**51 169**
8	30	2	9	—	57	1	19	—	39	1 135
97	275	14	13	—	110	17	56	—	299	5 805
3	42	—	8	—	20	1	1	—	16	908
108	**347**	**16**	**30**	**—**	**187**	**19**	**76**	**—**	**354**	**7 848**
951	**1 940**	**221**	**378**	**90**	**455**	**161**	**1 150**	**959**	**1323**	**59 017**
—	—	—	—	—	—	—	—	—	—	5 965
—	—	—	—	—	—	—	—	—	—	2 552
176	175	3	—	—	51	—	1	—	27	687
1	—	—	8	—	19	—	28	—	—	4 610
—	—	—	—	—	—	—	—	—	—	4 149
—	—	—	—	—	—	—	—	—	—	1 516
—	64	—	57	99	6	—	94	—	86	1 235
12	22	—	19	—	113	3	16	—	7	1 013
—	—	—	—	5	—	—	4	—	—	140
595	1 168	195	362	—	172	223	882	755	671	29 831
—	—	—	—	—	—	—	—	—	—	377
—	—	—	—	18	—	—	—	—	—	129
—	—	—	—	6	—	—	—	—	—	6
20	1	—	—	—	—	—	53	—	3	129
804	**1 430**	**198**	**446**	**128**	**361**	**226**	**1 078**	**755**	**794**	**52 339**
3	57	—	6	—	32	1	18	—	19	1 021
107	219	16	45	—	152	3	64	—	151	5 437
8	23	—	8	—	23	—	2	—	—	806
118	**299**	**16**	**59**	**—**	**207**	**4**	**84**	**—**	**170**	**7 264**
922	**1 729**	**214**	**505**	**128**	**568**	**230**	**1 162**	**755**	**964**	**59 603**

ADDITIONAL POLICY INFORMATION

Additional credit and counterparty risk information

Credit risk classification and provisioning policy

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

For further detail please refer to pages 53 and 54 of the Investec Group's 2023 annual financial statements

Internal credit rating models and ECL methodology

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

Further detail on internal credit ratings is provided on page 33

Key judgements

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

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

For further detail on our process for determining ECL please refer to page 54 of the Investec Group's 2023 annual financial statements

Key judgements at 31 March 2023

UK and Other

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.

South Africa

After careful review of portfolio performance, the current design of the ECL models and updated published market data, management reduced the ECL overlay of R219 million at 31 March 2022 to R113 million at 31 March 2023 in the Private banking portfolio.

As in the prior year, the overlay represents a post-model adjustment designed to account for emerging risks identified for categories of borrowers within the commercial real estate portfolio. The overlay held for the residential mortgage portfolio in the prior year (R30 million) has been removed. Relevant emerging risks are primarily focused on economic risks such as interest rate increases, high inflation and the effects of severe loadshedding, as well as social and geopolitical risks. Management believes that these emerging risks are not adequately represented by the historic data used to populate the ECL models. The management ECL overlay was calculated with reference to published market data that best represents the possible exposure to these emerging risks. Stage 3 ECLs continue to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Macro-economic sensitivities

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

For the UK bank specifically, the most severe 100% scenario sensitivity was to the downside 2 - global shock scenario which, 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. In South Africa, we have two downside scenarios, the down case and the extreme down case. The change in the pre-overlay ECL applying a 100% weight to each scenario increases the ECL by R103 million and R376 million respectively.

MACRO-ECONOMICS

Forward-looking macro-economic scenarios

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

UK and Other

For Investec plc, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

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

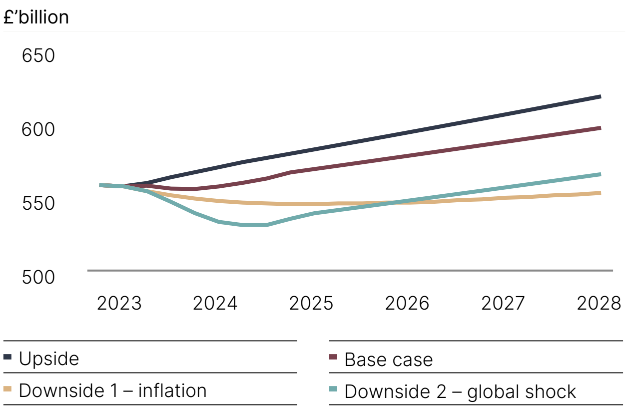
Downside 2 – global shock scenario is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a synchronised global V-shaped economic downturn and a sharp repricing of all asset classes, particularly those where valuations are most elevated. Although the shock is assumed to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

UK GDP forecast



MACRO-ECONOMICS
CONTINUED

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

	At 31 March 2023 average 2023 – 2028				At 31 March 2022 average 2022 – 2027			
	Upside	Base case	Downside 1 inflation	Downside 2 global shock	Upside	Base case	Downside 1 L-shape	Downside 2 fiscal crisis
Macro-economic scenarios	%	%	%	%	%	%	%	%
UK								
GDP growth	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 %	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)

MACRO-ECONOMICS
CONTINUED

South Africa

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

As of 31 March 2023, all five scenarios were updated to incorporate the latest available data.The base case is characterised by the view that economic growth lifts to 3% by the end of the five-year period on sufficient domestic policy support measures, while global financial market risk sentiment is neutral to positive. South Africa remains in the BB credit rating category bracket as fiscal consolidation (debt to GDP stabilisation) occurs. The Rand stabilises, then strengthens somewhat. Inflation is impacted by the course of weather patterns via food price inflation. The impact of loadshedding at an average of Stage 5 is included in the base case for 2023, and lessening in subsequent years as more generating capacity comes on line. A transition to renewable energy and slow move away from fossil fuel usage occurs and measures to alleviate the impact of climate change on the economy are modestly implemented. The Russian invasion of Ukraine eases. There is little to no expropriation without compensation. The greylisting lasts 2-3 years. As of 31 March 2023, the weighting of the base case was 48% while on 31 March 2022 it was 51%. The probability has fallen on the lowered growth outlook, the removal of the positive outlook from S&P and the rise in credit rating downgrade risk.

The lite down case has the same expected international environment (including global financial market risk sentiment) as the base case, but the domestic environment differs. Under this scenario South Africa's GDP growth is weak. Business confidence is depressed, with significant loadshedding, weak investment growth, very weak rail and port capacity, civil and political unrest, and a recession. Substantial Rand weakness drives high inflation, along with unfavourable weather conditions. Little transition to renewable energy is apparent, while there is increased pressure on government finances from disaster relief due to unfavourable weather conditions driven by climate change. Expropriation of private sector property is very limited and has a modestly negative impact on the economy. The greylisting is lengthy. Government debt and debt projections fail to stabilise, and South Africa drops into the single B credit ratings from all three of the key credit rating agencies for local and foreign currency sovereign debt but avoids C grades on eventual fiscal consolidation. As of 31 March 2023, the weighting of the lite down case was 40%, the same as at 31 March 2022.

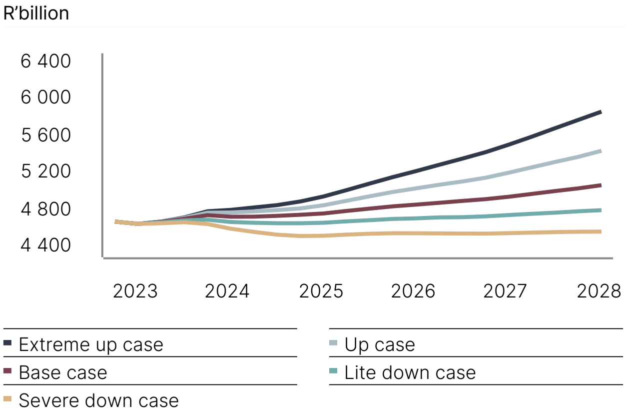
Under the severe down case a lengthy recession occurs in South Africa. Deteriorating government finances see the state borrowing from increasingly wider sources as it sinks deeper into a debt trap. South Africa's credit ratings fall into the C grades, with an increased risk of default. The severe down case can also include a lengthy global recession and/or global financial crisis, with insufficient monetary and other policy support measures. Severe Rand weakness is a feature as well as very high domestic inflation, which is also affected by severely unfavourable weather conditions. There is a failure to transition to renewable energy and to implement sufficient measures to alleviate the impact of climate change on the economy. Implementation of expropriation without compensation occurs (particularly for land held for speculative purposes), with a significant negative impact on the economy, along with widespread loadshedding of both electricity and water services, strike action and civil unrest. As of 31 March 2023, the scenario weighting of the severe down case was 10%, increasing from 6% in March 2022 due to the worsening in South Africa's electricity, freight (rail), port and other state services. Additionally, the persistence of elevated inflation globally and the tightening in monetary policy, prolonged risk-off global financial market environment and worsening in the global economic outlook have seen the severe down case probability rise. South Africa is eventually blacklisted in this scenario.

The up case is depicted by rising business confidence and investment levels as structural constraints to sustained, robust economic growth are removed, in an environment of strong global and domestic growth, and the global financial market environment is risk-on. Low domestic inflation occurs on Rand strength, along with favourable weather conditions for moderate food price inflation. A substantial transition to renewable energy, and a move away from fossil fuel usage occurs, along with comprehensive measures to alleviate the impact of climate change on the economy. There is no nationalisation or expropriation without compensation. No further credit rating downgrades occur and instead the rating outlooks become positive on strong fiscal consolidation (government debt projections fall substantially). The greylisting lasts for less than eighteen months. As of 31 March 2023, the scenario weighting was 1%, decreased from 2% at 31 March 2022. The economic outlook has deteriorated which has lowered the probability of the up case.

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

The graph below depicts South African GDP growth forecast under the macro-economic scenarios applied at 31 March 2023.

South African GDP forecast



MACRO-ECONOMICS
CONTINUED

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

	At 31 March 2023 average 2023 – 2028					At 31 March 2022 average 2022 – 2027				
Macro-economic scenarios	**Extreme up case %**	**Up case %**	**Base case %**	**Lite down case %**	**Severe down case %**	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
South Africa										
GDP growth	4.2	2.8	1.5	0.4	(0.5)	6.1	4.4	2.4	1.0	(0.6)
Repo rate	5.0	5.7	6.8	8.2	10.3	3.9	4.6	6.0	6.5	7.5
Bond yield	9.2	9.7	10.3	11.4	12.5	7.9	9.1	9.7	10.4	11.8
CPI inflation	3.2	4.0	4.6	5.6	6.4	3.8	4.4	4.9	5.6	6.9
Residential property price growth	5.8	4.8	3.7	2.6	1.5	7.4	6.3	4.8	4.0	2.5
Commercial property price growth	3.5	2.0	0.9	(0.8)	(2.6)	5.9	1.8	0.7	(1.4)	(2.6)
Exchange rate (South African Rand:US Dollar)	14.6	15.7	17.0	18.6	20.6	12.5	14.2	15.6	16.9	19.9
Scenario weightings	**1**	**1**	**48**	**40**	**10**	**1**	**2**	**51**	**40**	**6**

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**
South Africa					
GDP growth	0.8	0.7	1.8	1.8	2.3
Repo rate	7.5	6.8	6.5	6.5	6.5
Bond yield	10.9	10.6	10.2	10.0	9.9
CPI inflation	4.8	4.5	4.3	4.7	4.6
Residential property price growth	2.2	2.7	3.9	4.7	5.3
Commercial property price growth	(1.5)	0.4	1.3	1.9	2.4
Exchange rate (South African Rand:US Dollar)	17.6	17.3	16.9	16.8	16.7

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

Five-year extreme points At 31 March 2023	**Extreme up case %**	**Up case %**	**Baseline: Base case five-year average %**	**Lite down case %**	**Severe down case %**
South Africa					
GDP growth	6.6	4.6	1.5	(1.0)	(2.9)
Repo rate	4.3	5.0	6.8	9.0	11.5
Bond yield	8.9	9.4	10.3	12.0	12.8
CPI inflation	2.6	3.5	4.6	5.9	7.4
Residential property price growth	7.8	6.6	3.7	1.4	0.3
Commercial property price growth	5.8	4.1	0.9	(2.6)	(4.7)
Exchange rate (South African Rand:US Dollar)	14.0	15.1	17.0	19.0	21.2

ESG RISK AND CLIMATE, NATURE AND BIODIVERSITY RISK

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 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.

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 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 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 38% 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.

ESG RISK AND CLIMATE, NATURE AND BIODIVERSITY RISK
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 a 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 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 the Investec plc 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 Science Based Targets Initiative (SBTi) guidance.
Achievements for the financial year ended March 2023	• Reviewed our ESG framework linked to executive KPIs for remuneration • 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 • Broadened our solar offering to clients in South Africa • Participated in a £110 million facility for electric vehicle charging company, Instavolt, in the UK • 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 to zero by 31 March 2030 • 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 • Secured a $80 million credit facility from Proparco to implement the Transforming Financial Systems for Climate (TFSC) programme in South Africa.
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 DLC 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.	• Implement automated ESG screening, measurement and reporting within our South African operations • Review developments with regards to climate-related disclosure guidance in specific recommendations by the International Sustainability Standards Board (ISSB) and the Financial Reporting Council (FRC) • Enhanced focus on reporting on 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.

INVESTMENT RISK

Investment risk in the banking book

Investment risk in the banking book comprised 2.4% 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 Group.

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

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

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

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

IEP Group has been restructured to facilitate the exit of Investec and certain other IEP Group shareholders over a period of time. This will be achieved through a realisation of certain assets with Investec receiving c. 60% of these proceeds. Since November 2022, the investment in IEP Group has been accounted for at fair value through profit and loss. At 31 March 2023, Investec Limited held a 47.4% stake in the IEP Group which reduced post year end to 38.3%.

Following the distribution that took place on 31 May 2022, Investec retains a c.10% shareholding in Ninety One (previously known as Investec Asset Management) as an investment, all held within Investec plc (31 March 2022: 25% holding, 15% and 10% in UK and South Africa respectively). Both Ninety One and the IEP Group are reported in the investment portfolio per the balance sheet at 31 March 2023, where at 31 March 2022, they were reported as interest in associated undertakings and joint venture holdings.

Management of investment risk

As investment risk arises from a variety of activities conducted by the Group, the monitoring and measurement thereof varies across transactions and/or type of activity.

In order to manage, measure and monitor investment risk, investment committees exist in both the UK and South Africa. These committees are responsible for providing oversight of the regions where investment risk is assumed across the Group.

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets is reported to IBL, IBP and DLC BRCCs. As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and sensitivity assumptions and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 52 to 55 and pages 94 to 101 of the Investec Group's 2023 annual financial statements for factors and sensitivities taken into consideration in determining fair value

INVESTMENT RISK
CONTINUED

Summary of investments

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

£'million Country/category	On-balance sheet value of investments 31 March 2023	On-balance sheet value of investments 31 March 2022
Unlisted investments	**588**	**612**
UK and Other	315	336
Southern Africa*	273	276
Listed equities	**27**	**29**
UK and Other	2	2
Southern Africa	25	27
Investment and trading properties	**383**	**356**
UK and Other	75	4
Southern Africa^	308	352
Warrants and profit shares	**5**	**6**
UK and Other	5	6
IEP Group#	**213**	**283**
Southern Africa	213	283
Ninety One**	**172**	**383**
UK and Other	172	230
Southern Africa	—	153
Total	**1 388**	**1 669**

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 24.3% (31 March 2022: 24.3%).

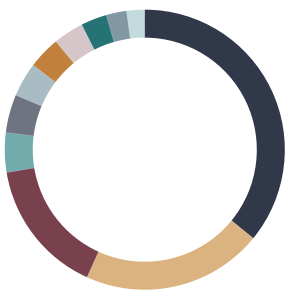
* Includes the fair value loans investments of £106 million (31 March 2022: £116 million) to reflect our economic ownership as explained above.

In the prior period, Investec applied equity accounting for its investment in IEP Group. This is now accounted for at fair value through profit and loss and reported in the investment portfolio line on the balance sheet. At 31 March 2023, Investec Limited held a 47.4% stake in the IEP Group which reduced post year end to 38.3%.

** In the prior period Investec applied equity accounting for its combined 25% investment in Ninety One. The c.10% Ninety One holding is now accounted for as an investment held at fair value through other comprehensive income and reported in the investment portfolio line on the balance sheet.

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

31 March 2023
£833 million



Finance and insurance	35.9%
Manufacturing and commerce	20.9%
Real estate	15.6%
Electricity, gas and water (utility services)	4.6%
Other	4.4%
Business services	3.9%
Retailers and wholesalers	3.7%
Transport	3.5%
Communication	3.0%
Construction	2.4%
Mining and resources	2.1%

SECURITISATION/STRUCTURED CREDIT

Securitisation/structured credit activities exposures

Overview

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

UK and Other

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 that follows.

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

We hold rated structured credit instruments. These are UK, 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%.

South Africa

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

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

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

Total assets that have been originated and securitised by the Private Client division amount to R6.0 billion at 31 March 2023 (31 March 2022: R7.2 billion) and consist mainly of residential and commercial mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 3: R0.7 billion notes of the original R1.0 billion are still in issue.
- Fox Street 4: R0.7 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R0.9 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R0.6 billion notes of the original R1.3 billion are still in issue. R310 million of the notes are held internally
- Fox Street 7: R0.6 billion notes of the original R1.1 billion are still in issue. No notes are held internally
- Richefond Circle: R2.1 billion notes of the original R2.1 billion are still in issue. R46 million of notes held internally.

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

Refer to page 60

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have been unrated South African RMBS loans totalling R1.3 billion at 31 March 2023 (31 March 2022: R1.6 billion) and unrated South African auto loans totalling R212 million at 31 March 2023 (31 March 2022: nil).

Accounting policies

Refer to page 55 of the Investec Group's 2023 annual financial statements

Risk management

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

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

SECURITISATION/STRUCTURED CREDIT
CONTINUED

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk. Assets that have been securitised by our private client division in Southern Africa are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities. These assets are reflected on the balance sheet line item 'own originated loans and advances to customers' totalling £273 million at 31 March 2023 (31 March 2022: £376 million).

Analysis of gross structured credit exposure

Nature of exposure/activity	31 March 2023 £'million	31 March 2022 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	786	511	Other debt securities and other loans and advances	
<40% RWA	770	505		
>40% RWA	16	6		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	7	7	Other loans and advances	
Private client division assets which have been securitised	273	376	Own originated loans and advances to customers	Analysed as part of the Group's overall asset quality on core loans as reflected on pages 31 to 43

£'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
South African RMBS	—	—	—	—	—	—	—	61	61
South African auto loans	—	—	—	—	—	—	—	10	10
Total at 31 March 2023	**564**	**78**	**8**	**—**	**—**	**—**	**650**	**136**	**786**
Investec plc	564	78	8	—	—	—	650	65	**715**
<40% RWA	564	77	7	—	—	—	648	61	709
>40% RWA	—	1	1	—	—	—	2	4	6
Investec Limited	—	—	—	—	—	—	—	71	**71**
<40% RWA	—	—	—	—	—	—	—	61	61
>40% RWA	—	—	—	—	—	—	—	10	10
Total at 31 March 2022	**282**	**83**	**16**	**—**	**—**	**—**	**381**	**130**	**511**
Investec plc	282	83	16	—	—	—	381	48	429
Investec Limited	—	—	—	—	—	—	—	82	82

MARKET RISK

Market risk in the trading book

Traded market risk profile

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

Traded market risk year in review

The financial year in review has been characterised by 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.

South Africa has seen a continued downward revision of economic growth prospects. During the financial year, the Rand depreciated by 21%, largely driven by the strengthening of the US dollar as well as persistent weak local fundamentals, spurred by energy constraints. The JSE All-Share Index rose marginally by 0.9% compared to end March 2022, while the R186 yield-to-maturity rose 0.28% over the same period.

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 in the UK and South Africa. These teams report into risk management in either the UK or South Africa where limits are approved, managed and monitored.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBP and IBL ERCs, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum and approved by IBL ERC in South Africa and at IBP ERC in the UK in accordance with the risk appetite defined by the Board. Any significant changes in risk limits are then taken to Group ERC as well as the respective BRCCs and 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 IBL and IBP Review Executive Risk Review Forum (IBP Review ERRF) and (IBL Review ERRF) weekly as well as IBL and IBP BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control

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

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

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

MARKET RISK
CONTINUED

Value at Risk

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

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available. In South Africa, the resultant one-day VaR is scaled up using the square root of time for regulatory capital requirements
- 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	**Year end**	Average	High	Low	**Year end**	Average	High	Low
UK and Other								
Equities (£’000)	295	324	762	124	381	479	742	335
Foreign exchange (£’000)	8	13	76	3	5	9	69	1
Interest rates (£’000)	43	33	73	15	21	28	172	8
Credit (£’000)	64	14	67	1	1	13	89	1
Consolidated (£’000)*	**352**	**331**	**770**	**103**	**370**	**469**	**699**	**340**
South Africa								
Commodities (R’million)	0.4	0.3	1.9	0.1	0.2	0.7	1.5	0.2
Equities (R’million)	5.1	4.9	9.7	2.6	3.1	4.5	7.1	2.9
Foreign exchange (R’million)	0.4	0.7	3.1	0.1	0.3	0.8	3.8	0.1
Interest rates (R’million)	8.9	7.5	14.4	3.4	5.4	4.5	9.0	2.0
Consolidated (R’million)*	**10.1**	**8.6**	**14.1**	**4.1**	**4.8**	**5.8**	**10.8**	**3.3**

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

Expected shortfall

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

95% one-day ES	**31 March 2023**	31 March 2022
UK and Other		
Equities (£’000)	366	530
Foreign exchange (£’000)	15	7
Interest rates (£’000)	68	36
Credit (£’000)	163	1
Consolidated (£’000)*	**472**	**525**
South Africa		
Commodities (R’million)	0.5	0.4
Equities (R’million)	6.7	7.5
Foreign exchange (R’million)	0.5	0.4
Interest rates (R’million)	12.9	8.0
Consolidated (R’million)*	**15.0**	**9.2**

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

MARKET RISK
CONTINUED

Stressed VaR

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

99% one-day sVaR	31 March 2023	31 March 2022
UK and Other (£'000)	**672**	**858**
South Africa (R'million)	**28.8**	**18.5**

Backtesting

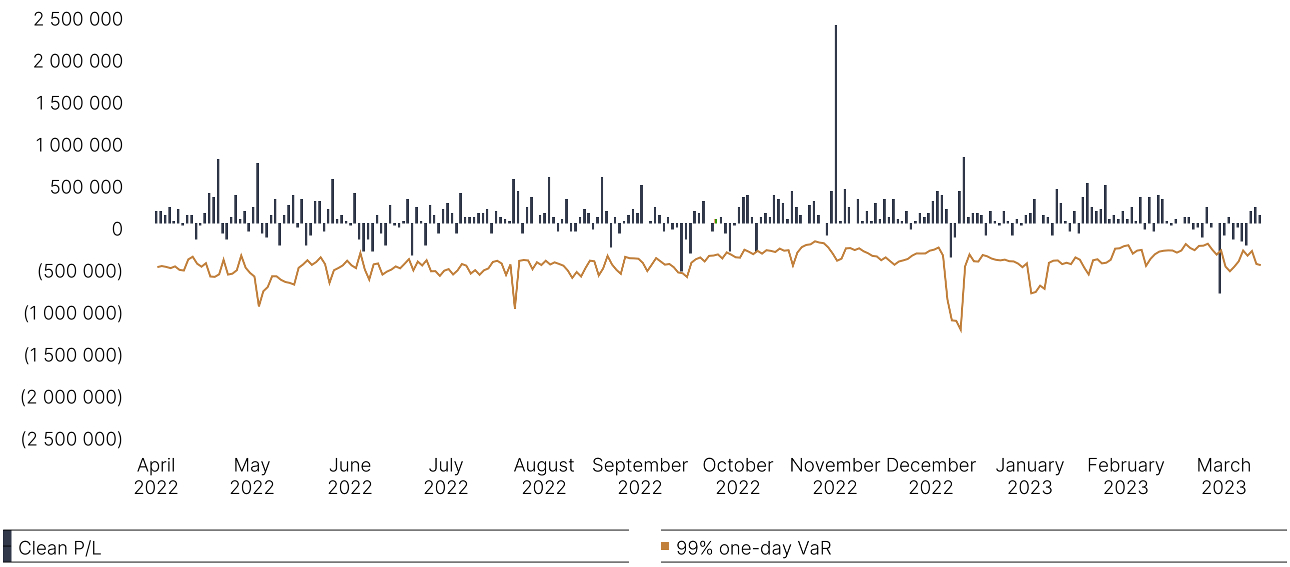
The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission,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

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

UK and Other

The average VaR for the year ended 31 March 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 (£)

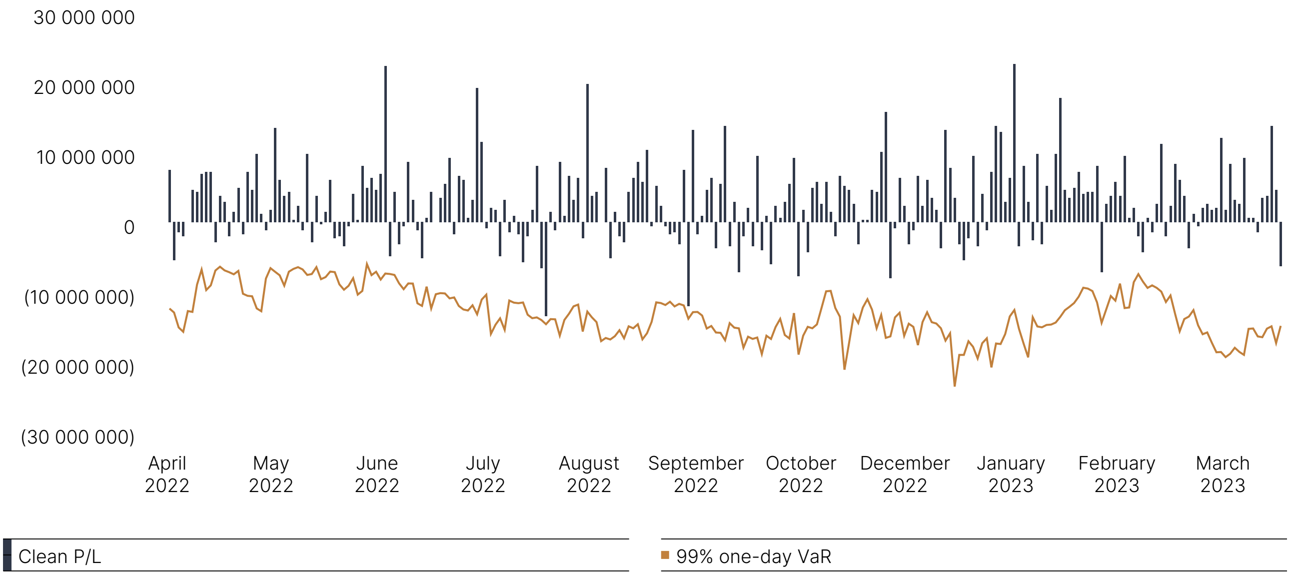


MARKET RISK
CONTINUED

South Africa

The average VaR for the year ended 31 March 2023 in the trading book was higher than for the year ended 31 March 2022, driven by volatile markets primarily due to high global inflation as well as the banking crisis during the first quarter of 2023. Using clean profit and loss data for backtesting resulted in no exceptions over the year (as shown in the graph below), which is below the expected number of two to three exceptions over a one year period that a 99% VaR model implies.

99% one-day VaR backtesting (Rand)

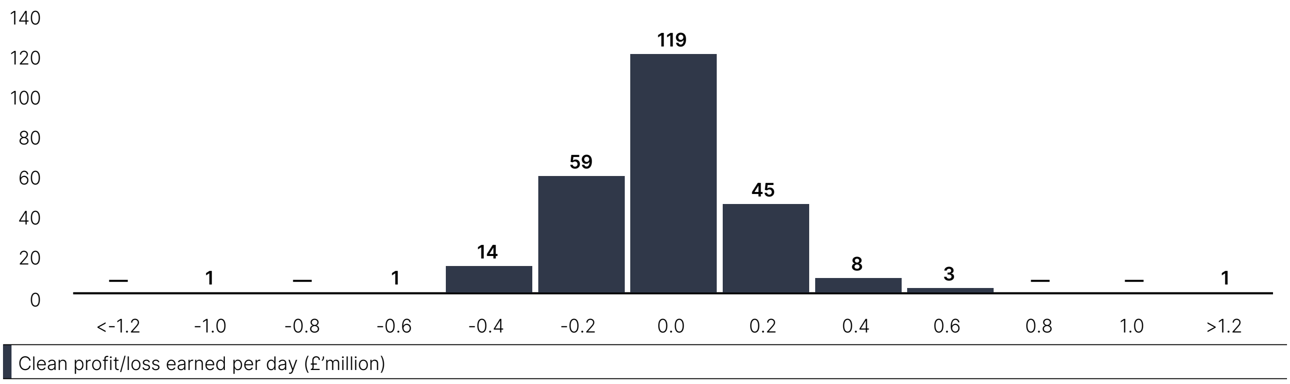


Clean profit and loss histograms

UK and Other

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 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



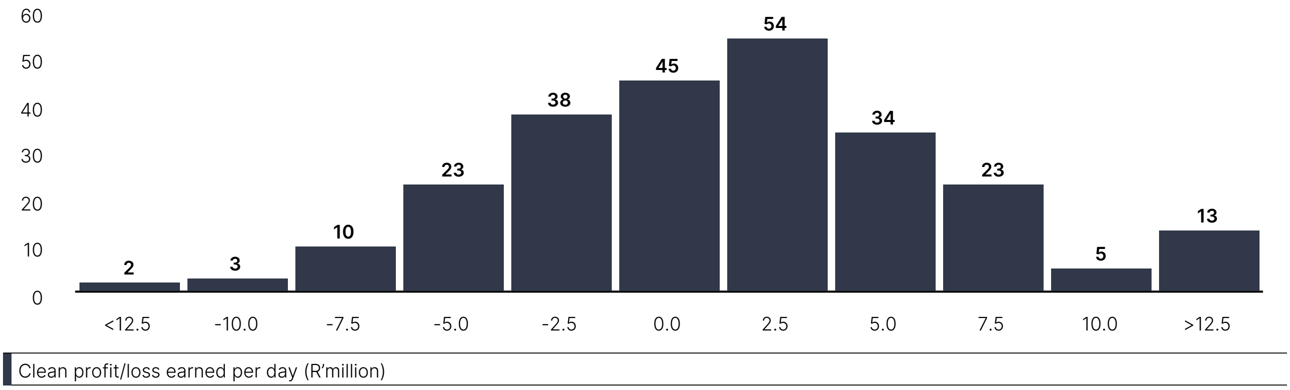
MARKET RISK
CONTINUED

South Africa

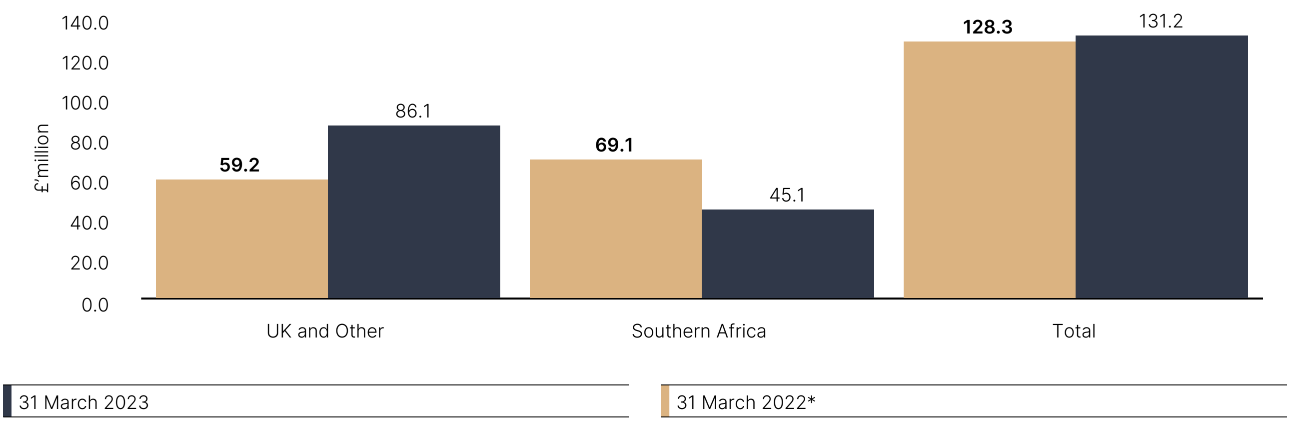
The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 174 days out of a total of 250 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2023 was R2.8 million (31 March 2022: R2.2 million).

Clean profit and loss

Frequency: Days in the year



Revenue arising from customer flow trading activities



* Restated as detailed on page 149 of the Investec Group's 2023 annual financial statements.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 108 of the Investec Group's 2023 annual financial statements.

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

BALANCE SHEET RISK AND LIQUIDITY

Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and IRRBB.

Balance sheet risk governance structure and risk mitigation

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

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

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

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

The Treasury function, by banking entity, is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the Board-approved risk appetite limits. 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 teams are based within Group risk management in their relevant regions and are responsible for identifying, quantifying, monitoring and communicating risks while providing daily independent governance and oversight of the treasury activities and the execution of the Group's policies.

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

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

Liquidity risk

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

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

- Our liquidity management processes encompass requirements set out within BCBS guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA, South African PA, BOM, GFSC and FINMA
- The risk appetite is clearly defined by the Board and each geographic entity must have its own Board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors 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 Group maintains contingency funding plans designed to protect depositors, creditors and shareholders

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

and maintain market confidence during adverse liquidity conditions.

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

- An internal 'survival horizon' metric which models the number of days it takes before the Group's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage ratio (LCR)
  - Net Stable Funding ratio (NSFR)
- In South Africa, modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions
- An array of liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the Group's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

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

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

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

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

Funding strategy

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

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

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

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

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

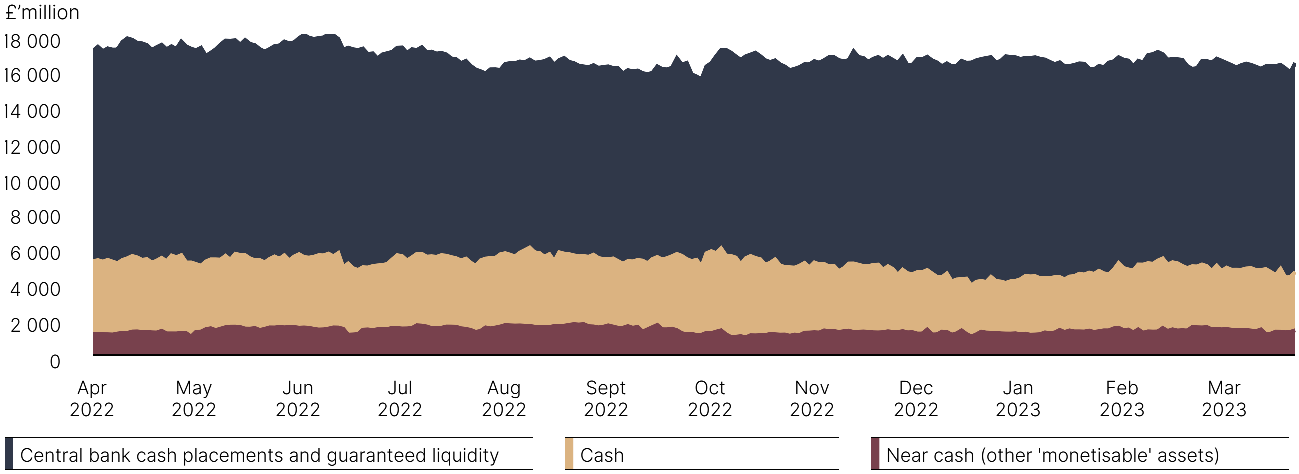
Liquidity buffer

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

From 1 April 2022 to 31 March 2023 average cash and near cash balances over the period amounted to £16.6 billion (£8.7 billion in UK and Other; R163.3 billion in South Africa).

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Investec Group cash and near cash trend

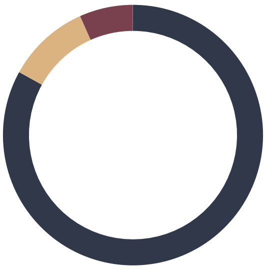


An analysis of cash and near cash at 31 March 2023

Total Group
£16 361 million

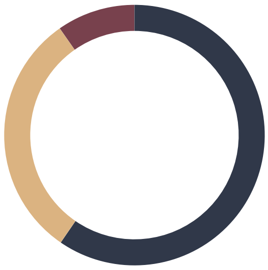
Central bank cash placements and guaranteed liquidity	71.9%
Cash	20.0%
Near cash (other 'monetisable' assets)	8.1%

Investec plc
£8 550 million



Central bank cash placements and guaranteed liquidity	83.0%
Cash	10.3%
Near cash (other 'monetisable' assets)	6.7%

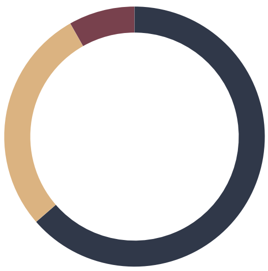
Investec Limited
R171 400 million



Central bank cash placements and guaranteed liquidity	59.6%
Cash	30.7%
Near cash (other 'monetisable' assets)	9.7%

Customers accounts (deposits) by type at 31 March 2023

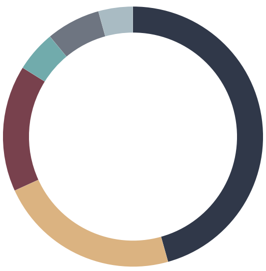
UK and Other
£19 122 million



Individuals	63.6%
Other financial institutions and corporates	28.2%
Small business	8.2%

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

South Africa
R480 302 million



Non-bank financials	45.7%
Individuals	22.5%
Non-financial corporates	15.7%
Public sector	5.1%
Banks	6.7%
Small business	4.3%

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Contingency planning

The Group maintains contingency funding plans which detail the course of actions that can be taken in the event of a liquidity stress. The plans help to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plans include:

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

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

Further information on recovery and resolution planning can be found on page 82

Asset encumbrance

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

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

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

Encumbered assets are identified in accordance with the definitions under European Capital Requirements Regulation (CRR), and regular reporting is provided to the PRA. Further disclosures on encumbered and unencumbered assets can be found within the Investec plc Pillar III document.

On page 106 of the Investec Group's 2023 annual financial statements we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

The tables that follow show the contractual and behavioural liquidity mismatch across our core geographies.

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

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

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

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

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

UK and Other

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	6 196	93	—	—	—	5	—	6 294
Investment/trading assets	272	987	489	485	457	807	1 269	4 766
Securitised assets	—	—	1	—	1	23	53	78
Advances	110	686	756	1 148	1 799	7 890	3 321	15 710
Other assets	1	560	59	41	44	466	367	1 538
Assets	**6 579**	**2 326**	**1 305**	**1 674**	**2 301**	**9 191**	**5 010**	**28 386**
Deposits – banks	(347)	—	(1)	(5)	—	(1 819)	—	(2 172)
Deposits – non-banks	(6 401)	(682)	(4 534)	(2 970)	(3 127)	(1 404)	(4)	(19 122)
Negotiable paper	(1)	(3)	(26)	(67)	(71)	(796)	(485)	(1 449)
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	(8)	(471)	(212)	(39)	(107)	(329)	(72)	(1 238)
Liabilities	**(6 894)**	**(1 753)**	**(4 781)**	**(3 151)**	**(3 360)**	**(4 392)**	**(1 336)**	**(25 667)**
Total equity	—	—	—	—	—	—	(2 719)	(2 719)
Contractual liquidity gap	**(315)**	**573**	**(3 476)**	**(1 477)**	**(1 059)**	**4 799**	**955**	**—**
Cumulative liquidity gap	(315)	258	(3 218)	(4 695)	(5 754)	(955)	—	

Behavioural liquidity at 31 March 2023
As discussed on page 69.

£'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	**5 712**	**419**	**(3 586)**	**(1 815)**	**(1 941)**	**303**	**908**	**—**
Cumulative	5 712	6 131	2 545	730	(1 211)	(908)	—	

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Southern Africa

Contractual liquidity at 31 March 2023

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	33 083	819	359	—	—	—	—	34 261
Cash and short-term funds – non-banks	11 303	101	20	—	—	—	1 908	13 332
Investment/trading assets and statutory liquids	82 251	62 638	5 698	7 503	4 405	41 425	39 763	243 683
Securitised assets	606	23	136	142	286	2 522	2 820	6 535
Advances	2 830	9 075	13 351	11 284	22 263	126 698	130 847	316 348
Other assets	1 365	6 008	2 974	1 162	(3 286)	5 274	7 962	21 459
Assets	**131 438**	**78 664**	**22 538**	**20 091**	**23 668**	**175 919**	**183 300**	**635 618**
Deposits – banks	(648)	(1 786)	(948)	(544)	(1 063)	(25 926)	(874)	(31 789)
Deposits – non-banks	(212 706)	(26 948)	(62 037)	(33 433)	(45 412)	(64 676)	(3 301)	(448 513)
Negotiable paper	(1)	(195)	(658)	(207)	(1 027)	(5 087)	(572)	(7 747)
Securitised liabilities	—	—	—	—	—	—	(3 594)	(3 594)
Investment/trading liabilities	(909)	(14 589)	(7 370)	(3 641)	(3 077)	(29 127)	(842)	(59 555)
Subordinated liabilities	(625)	—	(8)	(113)	(1 319)	(5 683)	—	(7 748)
Other liabilities	(3 231)	(2 127)	(1 559)	(1 033)	(18)	(816)	(6 382)	(15 166)
Liabilities	**(218 120)**	**(45 645)**	**(72 580)**	**(38 971)**	**(51 916)**	**(131 315)**	**(15 565)**	**(574 112)**
Total equity	—	—	—	—	—	—	(61 506)	(61 506)
Contractual liquidity gap	**(86 682)**	**33 019**	**(50 042)**	**(18 880)**	**(28 248)**	**44 604**	**106 229**	**—**
Cumulative liquidity gap	(86 682)	(53 663)	(103 705)	(122 585)	(150 833)	(106 229)	—	

Behavioural liquidity at 31 March 2023

As discussed on page 69.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**80 493**	**21 886**	**(5 553)**	**(1 067)**	**(8 565)**	**(202 870)**	**115 676**	**—**
Cumulative	80 493	102 379	96 826	95 759	87 194	(115 676)	—	

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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

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

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

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

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

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

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 Group 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 Group against falling interest rates, while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

In December 2022 IBP and DLC Board approved the initiation of a structural hedging programme in the UK, to reduce the sensitivity of earnings to short-term interest rate movements. The Group 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.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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 in the UK and South Africa, assuming no management intervention.

UK and Other

million	All (GBP)
25bps down	(13.7)
25bps up	12.7

Southern Africa (IBL consolidated)

million	All (ZAR)
25bps down	(66.3)
25bps up	66.3

Economic value (EV) sensitivity at 31 March 2023

IRRBB is measured and monitored using the EV sensitivity approach. The tables below reflect an illustrative economic value sensitivity to a 2% parallel shift in interest rates, based on modelled assumptions in the UK and South Africa, assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

UK and Other

million	All (GBP)
200bps down	16.6
200bps up	(13.1)

Southern Africa (IBL consolidated)

million	All (ZAR)
200bps down	404.7
200bps up	(401.1)

Interest rate risk – JIBAR reform

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

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

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

The SARB has commenced publishing ZARONIA daily to allow market participants to observe the rate and implement measures to promote its adoption. Investec submits daily transaction data to the SARB for the calculation and publication of ZARONIA.

A Interest rate risk – IBOR reform

During the financial year, the Group has progressed the transition of the remaining USD assets referencing interbank offered rate (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 Group has limited remaining risks with respect to the 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 Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to risk-free rates.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

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.

UK and Other

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 Investec plc and IBP (solo basis) LCRs are calculated based on the rules contained in the PRA rulebook 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 383% for Investec plc and 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 147% for Investec plc and 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.

South Africa

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

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

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

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

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

In aligning with the Basel III NSFR standards, the South African PA has decided to reverse its national discretion decision to assign an available stable funding factor of 35% to financial sector deposits that are less than six months in tenor. This factor will reduce to zero and be phased in over a five year period starting 1 June 2023.

The South African PA has introduced a 3% run-off factor for retail deposits with residual maturity >30 days in an effort to standardise LCR treatment of early redemptions by retail customers across the industry.

IBL comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratios into our processes.

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.

UK and Other

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.

South Africa

As of 1 January 2023 the South African PA has adopted the updated IRRBB standards as prescribed in BCBS d368. This currently applies to South African based operations and will be rolled out to foreign subsidiaries from 1 January 2024 along with the relevant public disclosures. IBL solo bank entity is compliant with all requirements of the updated IRRBB regulations.

BALANCE SHEET RISK AND LIQUIDITY
CONTINUED

Balance sheet risk year in review

The Group maintained its strong liquidity position and continues to hold high levels of surplus liquid assets. Our liquidity risk management process remains robust and comprehensive.

UK and Other

Funding continues to be dynamically raised through a mix of customer liabilities diversified by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of depositors. Those diversified funding channels have proven to be capable of raising funding throughout the year supporting both strong asset growth and 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 81.4% 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 Investec plc's deposit base and the reliance on term and notice deposits rather than demand deposits. Deposits grew by 4.5% over the year to £19.1 billion. Granularity of deposits is a key area of focus and Investec plc 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 Group to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management.

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 4 for further detail on credit ratings

Southern Africa

We entered the year with a comfortable liquidity position given our philosophy of funding through the cycle. Increases in rates drove an increase in profitability due to the endowment effect from our non-rate liabilities (equity) and transactional deposits, as well as a positive overnight repricing gap between our assets and liabilities.

Funding continues to be raised through a diverse mix of customer liabilities by customer type, currency, channel and tenor. Our medium to long term focus remains strengthening the Group's structural funding profile through growing the retail deposit base and encouraging our transactional deposit offering.

Activity in the wholesale markets over the financial year has increased but we continue to look for opportunities to raise low-cost funding where appropriate and carefully manage maturity profiles. We continue to closely monitor our current and projected cost of funding as this has a direct impact on our ability to write assets at competitive levels.

We maintained a pool of strategic long-term non-ZAR funding from diversified sources and new channels. IBL (consolidated Group) total customer deposits grew by 6.8% from R420.1 billion to R448.7 billion at 31 March 2023. Our private client funding initiatives had a good year of deposit raising despite increased competition for retail deposits and uncertainty brought about by the recent turmoil in the global banking sector, delivering substantial growth to close the year at R198.8 billion in line with strategic funding objectives. We continue to see deposit growth from our Private Banking franchise led by client acquisition.

Cash and near cash balances at 31 March 2023 amounted to R171.4 billion (31 March 2022: R159.5 billion). Relative to the previous financial year we noted a gradual increase in borrowing activity specifically in corporate client lending.

Consistent with our liquidity management philosophy, we delivered liquidity ratios well above the regulatory requirements. For IBL (consolidated Group), the 90-day simple average LCR ended the financial year at 153.6%. The structural funding ratio represented by the NSFR ended the year at 116.4% as at 31 March 2023.

OPERATIONAL RISK

Operational risk

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

Management and measurement of operational risk

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

The key operational risk practices are as follows:

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

Operational risk governance framework

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

Roles and responsibilities

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

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

Committees

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

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

- Operational risk:

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

- Technology, 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.

OPERATIONAL RISK
CONTINUED

Risk appetite

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

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

Operational risk year in review

Key operational risk themes

During the year the Group remained focused on the management of the following key operational risks:

Business disruption and operational resilience risk

- Resilience capabilities continued to be tested by disruptive events such as floods and continued electricity loadshedding in South Africa
- The growing global regulatory requirements for operational resilience increased the compliance expectations and delivery of stakeholder value
- Operational resilience continues to be of importance and we regularly test our information technology and related applications to ensure minimum client disruption. In addition, we ensure our third parties have adequate resilience plans in place
- The risk of escalated loadshedding effects in South Africa are actively monitored and assessed as part of Investec's operational resilience and business continuity frameworks. This allows Investec to mitigate against the potential impact on its operations and enables Investec to continue to provide clients with essential banking services. This is done in conjunction with government and relevant industry bodies such as the Banking Association of South Africa (BASA).

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 Group
- New business models for ransomware and cyber extortion were observed. In response, the Group 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 Group'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
- The South African PA detailed the 'flavour of the year topic' as 'Succession Planning' for the year ended 31 March 2023
- As a result of the assessment completed by the Financial Action Task Force (FATF's) Mutual Evaluation of South Africa, there has been changes made to the regulatory environment in this regard

Refer to page 80 for further information

- Material regulatory developments in the UK for the Group 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
- The Group enhanced its focus on operational resilience, as well as concentration risk, associated with our third parties and their fourth parties.

Operational risk events

The Group 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.

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

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

Execution, delivery and process management:

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

External fraud:

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

Insurance

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

REPUTATIONAL RISK AND LEGAL RISK

Reputational risk

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

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

Legal risk

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

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

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

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

The legal risk policy is implemented through:

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

Further information on specific legal matters, including the investigation into historical German dividend tax arbitrage transactions, can be found on page 134 of the Investec Group's 2023 annual financial statements

COMPLIANCE

Compliance

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

Global regulators expect financial services institutions to implement robust governance and oversight arrangements to enhance stability and ensure that financial services are delivered in an appropriate manner. Regulators continue to focus on promoting resilience in financial markets, with an emphasis on being data-led. Additional attention is focused on reducing and preventing serious harm to consumers and embedding ESG requirements.

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

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

Conduct risk and consumer protection

UK and Other

The Financial Conduct Authority (FCA) has maintained its focus and approach to managing conduct risk across the financial services industry. During the period the FCA has continued to focus on advancing its three operational objectives: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interest of consumers. The FCA remains committed to identifying and tackling instances of consumer harm, rooting out systemic risk within the industry and securing remediation where things go wrong. The FCA has set higher standards for the industry to achieve greater levels of consumer protection. To further that aim, the FCA has introduced the new Consumer Duty, which aims to ensure that institutions deliver good outcomes for retail customers. The new duty consists of the new Consumer Principle, requiring institutions to act to deliver good outcomes for retail customers, and a suite of rules and guidance setting more detailed expectations for institutions. The new duty applies to Investec's business areas involved in the manufacturing, distribution or sale of products to retail customers. The implementation deadline for new and existing products is 31 July 2023. Product manufacturers are required to be compliant with certain aspects of the Consumer Duty by 30 April 2023.

In December, the UK Government set out a substantial package of regulatory reforms, referred to as the 'Edinburgh Reforms'. It is designed to support the Government's vision for an open, sustainable, technologically advanced financial services sector that is globally competitive. The reform will provide a new remit to the FCA and PRA, to ensure market growth and international competitiveness and pave the way to repealing various EU regulations. The Edinburgh Reforms will bring changes to current regulation impacting consumers, such as Consumer Credit Act, Payment Account Regulations and PRIIPs (packaged retail and insurance based investment products). These changes aim to reduce the regulatory burden on institutions and improve consumer protection by introducing rules that are fit for purpose and achieve better outcomes for consumers. Additionally, the Edinburgh Reforms will introduce a number of changes to Wholesale banking rules, such as the UK Prospectus Regime and Listing Rules, UK MiFID (Market in Financial Instruments Directive), including Investment Research, and Short Selling Regulations.

As the cost of living crisis continues to put pressure on UK households, the FCA has built on its 'Covid Tailored Support Guidance', to produce draft guidance for institutions dealing with customers in financial difficulty regarding mortgages. This emphasises the need to work with borrowers and consider their circumstances.

The FCA and PRA have issued new regulations regarding Operational Resilience. Institutions are now required to identify their important business services and set impact tolerances for the maximum tolerable disruption to customers, institutions and the wider market. To achieve this institutions are required to conduct mapping exercises to identify these services and additionally test appropriately these important business services. This demonstrates the regulators' focus on preventing wide-reaching harm to consumers and market integrity.

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

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

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

The Board, along with senior management, are ultimately responsible for Investec's culture and conduct risk frameworks. Investec has continued over the period to focus on enhancements to our conduct risk management framework, to ensure consistent delivery of good customer outcomes and effective management of conduct risk throughout our business. This has included strengthening business-led identification and management of conduct risk, improvements to the product review and approval process, robust processes for dealing with

COMPLIANCE
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regulatory and conduct breaches and a sustained focus on maintaining the highest levels of regulatory compliance throughout our business. Investec's conduct risk management in the UK is underpinned by the Senior Manager and Certification Regime which strengthens individual accountability and sets minimum standards of individual behaviour in financial services.

South Africa

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

The FSCA's strategic objectives for the next five years (2021-2025), will focus on five key objectives, namely; improving industry practices to achieve fair outcomes for financial customers; acting against misconduct to support confidence and integrity in the financial sector; promoting the development of an innovative, inclusive and sustainable financial system; empowering households and small businesses to be financially resilient; and accelerating the transformation of the FSCA into a socially responsible efficient and responsive organisation.

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

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

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

Data protection and access to information remain a priority for Investec. The Information Regulator has issued a Code of Conduct for the Processing of Personal Information by the Banking Industry. The Code became effective in November 2022. The purpose of the Code is to establish procedures and guidance in interpretation of POPIA and other applicable laws or practices that govern the processing of personal information. In addition, the Code is intended to outline and expand on the specific obligations in terms of POPIA and will not replace the provisions of POPIA.

As of 30 June 2021 the Information Regulator has also taken over the regulatory mandate functions relating to the Promotion of Access to Information Act (PAIA) 2000.

PAIA encourages openness and exists to establish mechanisms or procedures which give effect to the right of access to information in a speedy, inexpensive, and easy manner.

In relation to PAIA manuals, the scope of information that the manual must cover has been widened to include matters relating to the processing of personal information in terms of POPIA. Investec's PAIA Manual is published on our website and copies are available on request.

Financial crime

UK and Other

Financial crime continues to be an increasing regulatory focus, with regulators globally encouraging companies to adopt a dynamic approach to the management of risk and to increase efforts around systems and controls to combat money laundering, proliferation financing, tax evasion and bribery and corruption. The FCA highlights financial crime (frauds and scams) and anti-money laundering (AML) as one of their key cross-sector priorities. We continue to evolve our practices to respond to external developments whilst ensuring that we maintain a robust risk-based approach to the ever-evolving criminal typologies and to furthermore meet our regulatory obligations. Policies, procedures and training are in place, in order to guard against the risks of financial crime.

South Africa

South African policy and law makers, working with regulators and industry, focused intensely on making changes to the anti-financial crime framework to address the deficiencies identified by the Financial Action Task Force (FATF) in its October 2021 report. The promulgation of legislation at the end of 2022, brought six of our laws up to international standards. Through its actions, South Africa has dealt with 67 of the FATF's recommendations, and eight items remain for South Africa on which to focus. This led to South Africa being added to the list of countries under increased monitoring, or so called 'greylisted' countries in February 2023. The government of South Africa has committed to resolving these actions swiftly and works with the FATF to provide the regular updates on its progress in order to be removed from this listing.

Investec Limited has always implemented international standards (such as the FATF Recommendations) and other international best-practice when combatting financial crime, over and above the local requirements. Investec continues to evolve our risk-based practices to respond to industry developments, whilst ensuring that we meet our regulatory obligations set out in the Financial Intelligence Centre Act (FICA).

Investec continues to use its role on the steering committee of the South African Anti-Money Laundering Integrated Taskforce (SAMLIT), a public-private

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partnership whose membership includes certain banks, the Financial Intelligence Centre, regulators and law-enforcement agencies, to improve the collective understanding of financial crimes in South Africa. Investec's leadership are experts in the working group which researches the financial flows associated with wildlife crimes, which has earned SAMLIT many accolades locally and internationally

Tax reporting

To address concerns about uneven profit distribution and the tax contributions of large multinational corporations, various agreements have been reached at a global level, including an agreement by over 135 countries to introduce a global minimum tax rate of 15%. In December 2021, the 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. From a South African perspective, the South African National Treasury aims to prepare draft legislation for inclusion in the 2024 Taxation Laws Amendment Bill. Once changes to the tax law in any jurisdiction are enacted or substantively enacted, tax rates may increase in certain jurisdictions to the 15% minimum tax rate. We are closely monitoring these developments.

UK and Other - (FATCA, CRS, MDR and DAC6)

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

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

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

On 4 January 2021, the UK Tax Authorities (HMRC) confirmed that the UK will no longer apply DAC6 reporting in its entirety following the conclusion of the Free Trade Agreement with the EU. Only arrangements that would be within the scope of CRS will now need to be reported which is in line with the OECD's Mandatory Disclosure Rules. The UK has released its regulations on Mandatory Disclosure Rules called The International Tax Enforcement (Disclosable Arrangements) Regulations 2023 which came into force on 28 March 2023.

South Africa - (FATCA/CRS)

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

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

The OECD published Mandatory Disclosure Rules (MDR) that aim to provide tax administrations with information on CRS avoidance arrangements and opaque offshore structures, including the users of those arrangement and structures and those involved with facilitation. South Africa has incorporated the MDR into revised CRS Regulations and which reporting provisions are due to come into effect on 1 March 2024.

Brexit

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

RECOVERY AND RESOLUTION PLANNING

Recovery and resolution planning

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

The recovery plans for Investec plc and Investec Limited:

- Integrate with existing contingency planning
- Identify roles and responsibilities
- Identify early warning indicators and trigger levels
- Analyse how the Group could be affected by the stresses under various scenarios
- Include potential recovery actions available to the Board and management to respond to the situation, including immediate, intermediate and strategic actions
- Identify the recovery capacity available to avoid resolution actions
- Run externally facilitated simulations or firedrill exercises as required by the regulations.

UK

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

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

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

In line with PRA and onshored EU requirements, Investec plc maintains a resolution pack and a recovery plan. Even though the recovery plan is framed at Investec plc level, given that IBP constitutes over 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 on IBP. 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.

South Africa

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

CAPITAL MANAGEMENT AND ALLOCATION

Capital management and allocation

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

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

A summary of capital adequacy and leverage ratios

	Standardised		IRB scope^^^		Standardised		IRB scope^^^	
	Investec plc[v]*	IBP[v]*	Investec Limited*^	IBL*^	Investec plc[v]*	IBP[v]*	Investec Limited*^	IBL*^
	31 March 2023				31 March 2022			
Common Equity Tier 1 ratio**	12.0%	12.9%	14.7%	17.1%	11.7%	12.4%	14.0%	15.8%
Common Equity Tier 1 ratio (fully loaded)***	11.7%	12.6%	14.7%	17.1%	11.3%	12.0%	14.0%	15.8%
Tier 1 ratio**	13.4%	14.3%	15.9%	18.2%	13.1%	13.9%	15.0%	16.6%
Total Capital ratio**	17.5%	18.7%	18.3%	21.2%	16.8%	18.6%	17.5%	20.0%
Risk-weighted assets (million)**	17 767	17 308	283 600	261 263	16 980	16 462	319 048	286 903
Leverage exposure measure (million)^^	25 216	24 945	696 319	662 702	24 185	23 874	649 828	608 062
Leverage ratio^^	9.4%	9.9%	6.5%	7.2%	9.2%	9.6%	7.4%	7.9%
Leverage ratio (fully loaded)***	9.2%	9.8%	6.5%	7.2%	8.9%	9.3%	7.4%	7.9%

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

** The CET1, Tier 1 and Total Capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

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

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £55 million (31 March 2022: £44 million) for Investec plc and £36 million (31 March 2022: £61 million) for IBP would lower the CET1 ratio by 31bps (31 March 2022: 28bps) and 21bps (31 March 2022: 37bps) respectively.

^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 117bps (31 March 2022: 134bps) and 164bps (31 March 2022: 69bps) lower respectively.

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

^^^ Investec Limited uses the Internal Ratings Based (IRB) Approach to quantify credit RWA. As at 31 March 2023, 55% (31 March 2022: 39%) of the portfolio applies the AIRB approach, 28% (31 March 2022: 44%) applies the FIRB approach and the remaining 17% (31 March 2022: 17%) of the portfolio is subject to the standardised approach

Investec plc

Current regulatory framework

Investec plc is an approved UK Financial Holding Company (FHC), responsible for ensuring compliance with consolidated prudential requirements on a consolidated basis. Investec Bank plc, the main banking subsidiary of the Investec plc Group, continues to be authorised by the PRA and regulated by the FCA and the PRA.

Investec plc calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the CRR and CRD IV, as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) were onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018.

Investec plc applies the Standardised Approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. Effective 1 January 2022, Investec plc 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.

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

Year under review

During the year under review, Investec plc complied with the capital adequacy requirements imposed on it by the PRA. Investec plc continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2023, the CET1 ratio increased to 12.0% from 11.7% at 31 March 2022. CET1 capital increased by £147 million to £2.1 billion, mainly as a result of:

- CET1 capital generation of £293 million through profit after taxation
- A decrease of £160 million in the deduction applied to financial sector entities which exceed the 10% threshold.

The increases were partially offset by:

- A decrease in other comprehensive income of £71 million, including the fair value uplift on our investment in Ninety One and the reversal of the cash flow hedge reserve which is not recognised in CET1 capital
- Dividends paid to ordinary shareholders and Additional Tier 1 security holders of £197 million,

CAPITAL MANAGEMENT AND ALLOCATION
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including the Ninety One distribution to shareholders of £91 million

- An increase in treasury shares of £20 million
- A decrease of £28 million in the IFRS 9 transitional add-back adjustment.

Risk-weighted assets (RWAs) increased by 5% or £787 million to £17.8 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £788 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 £144 million compared to 31 March 2022, primarily driven by a decrease in repurchase agreements and derivative financial instruments.

Market risk RWAs decreased by £95 million, mainly due to a decrease in the collective investment undertaking position risk.

Operational risk RWAs increased by £238 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 9.4% from 9.2.% at 31 March 2022. The increase is primarily driven by an increase in CET1 capital of £147 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.

Minimum capital requirement

Investec plc’s minimum CET1 requirement at 31 March 2023 is 7.9% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% Capital Conservation Buffer (CCB), a 0.31% Pillar 2A requirement and a 0.63% Countercyclical Capital Buffer (CCyB). The Group’s institution-specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. As at 31 March 2023 the UK CCyB rate is 1%.

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).

Investec Limited

Current regulatory framework

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

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

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

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

For the year ended 31 March 2023, Investec calculated its minimum capital requirements in respect of:

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

Year under review

Investec Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for measurement of capital on the Income Producing Real Estate portfolio (IPRE). Investec also migrated the High Value Commercial Real Estate (HVCRE) portfolio to the slotting approach, a subset of the Foundation Internal Ratings Based (FIRB) approach. Combined, this reduced the CET1 ratio by 242bps.

At 31 March 2023, the CET1 ratio increased to 14.7% from 14.0% at 31 March 2022. CET1 capital decreased by R3.0 billion to R41.8 billion, largely affected by:

- Investec Limited executed R5.5 billion of the R7 billion DLC share buyback programme announced to the market in September 2022. As at 31 March

CAPITAL MANAGEMENT AND ALLOCATION
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2023, CET1 reduced by R5.3 billion being R1.1 billion relating to Investec Limited treasury shares and R4.2 billion due to the deduction of Investec Limited's investment in Plc shares at market value

- Positive attributable earnings post-taxation and minorities of R7.1 billion
- Total ordinary dividends paid to Investec Limited shareholders of R7.3 billion
- Foreign currency translation reserve increase of R1.5 billion
- Decrease in common equity deduction of R1.3 billion following the distribution of Ninety One shares to shareholders
- Decrease of R400 million in ordinary share capital due to treasury shares held in Investec Staff Share Schemes
- Decrease in deduction for investment in financial entities (investment in IEP) of R415 million.

RWAs decreased by 11.1% from R319.0 billion (March 2022) to R283.6 billion (March 2023), predominantly within credit risk RWAs.

Credit risk RWA decreased by R28.9 billion (11.2%) from 31 March 2022 to 31 March 2023. The decrease was mainly driven by the migration of IPRE to the AIRB and HVCRE to the slotting approach, which resulted in a R40 billion saving as of 31 January 2023, this was off-set by book growth and forex movement.

Equity risk decreased by R12.2 billion (46.1%) largely due to the distribution of Ninety One shares to shareholders.

Market risk RWAs increased by 51.2% or R2.3 billion. The increase is primarily driven by an increase in exposure on the Interest Rate Derivatives. Activity has increased due to the recent increases in interest rate by the PA as well as other central banks due to global inflation concerns.

Operational risk increased by 11.7% or R3.4 billion. This follows the bi-annual update of the 3-year rolling gross income before impairments average balance, which forms the basis of the calculation.

The Group's leverage ratio decreased to 6.5% (March 2023) from 7.4% (March 2022).

Minimum capital requirement

Investec Limited's minimum CET1 requirement at 31 March 2023 is 8.0%, comprising a 4.5% Pillar 1 minimum requirement, a 0.5% Pillar 2A add-on, a 2.5% CCB, a 0.5% Domestic Systemically Important (D-SIB) Buffer and a 0.125% CCyB. South Africa has not announced any CCyB requirements for 2023. As at 31 March 2023, Investec Limited's institution-specific CCyB, held for purposes of the reciprocity requirement, was 0% of risk weighted exposures.

Regulatory developments

The Financial Sector Laws Amendment Act (FSLAA) was promulgated on 28 January 2022. The FSLAA aims to, amongst other things, introduce South Africa's first comprehensive deposit insurance scheme and create a new subordinated class of loss-absorbing instruments (referred to as "FLAC" instruments) to facilitate the application of the statutory bail-in power in order to assist with the implementation of the resolution framework for 'designated institutions'. The South African Reserve Bank is established as the resolution authority; and the Corporation for Deposit Insurance and a Deposit Insurance Fund is established to assist with the stability of the financial system in the event of the resolution of a designated institution.

The South African Prudential Authority (PA) proposed to implement the outstanding Basel III regulatory reforms in South Africa on the dates set out in Guidance Note 4 of 2022. The regulatory reforms, such as the revised standardised approach and internal ratings-based approach for credit risk, are proposed for 1 January 2024. The PA initially proposed to implement the revised market risk and credit valuation adjustment (CVA) frameworks at 1 January 2024. Noting that certain countries confirmed the delayed implementation of the Basel III reforms in their respective jurisdictions, the PA confirmed in Guidance Note 8 of 2022 that they will continue to monitor progress made by other major jurisdictions and trading partners of South Africa in respect of the implementation of the respective Basel III reforms and will implement the revised market risk and CVA frameworks at a later date, which will be communicated in due course.

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

Philosophy and approach

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

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios.

For Investec plc we target a Total Capital ratio range of between 14% and 17%, and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10% on a consolidated basis.

For Investec Limited we target a Total Capital ratio > 15%, and we target a minimum Tier 1 ratio > 12.5% and a CET1 ratio between 11.5% and 12.5% on a consolidated basis.

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

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

- 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). The ICAAP documents the approach to capital management, including the assessment of the regulatory and internal capital position of each Group.
- The ICAAP is reviewed and approved by DLC BRCC and the Board.

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

Capital planning and stress/scenario testing

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

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

CAPITAL MANAGEMENT AND ALLOCATION
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Capital structure and capital adequacy

	Standardised		IRB Scope^^^	
At 31 March 2023	**Investec plc*v^ £'million**	IBP*v^ £'million	**Investec Limited*^^ R'million**	IBL*^^ R'million
Shareholders' equity	**2 428**	**2 522**	**45 929**	**44 016**
Shareholders' equity excluding non-controlling interests	2 468	2 539	48 374	44 016
Perpetual preference share capital and share premium	(25)	—	(2 445)	—
Deconsolidation of special purpose entities	(15)	(17)	—	—
Non-controlling interests	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	1	1	9 872	—
Non-controlling interests excluded for regulatory purposes	(1)	(1)	(9 872)	—
Regulatory adjustments to the accounting basis	**16**	**15**	**1 054**	**1 111**
Additional value adjustments	(5)	(5)	(280)	(223)
Gains or losses on liabilities at fair value resulting from changes in our credit	—	—	(15)	(15)
Cash flow hedging reserve	(28)	(28)	1 349	1 349
Adjustment under IFRS 9 transitional arrangements	49	48	—	—
Deductions	**(318)**	**(306)**	**(5 173)**	**(329)**
Goodwill and intangible assets net of deferred tax	(312)	(300)	(315)	(311)
Investment in financial entity	—	—	(456)	—
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(2)	(2)	—	—
Shortfall of eligible provisions compared to expected loss	—	—	(18)	(18)
Other regulatory adjustments	—	—	(4 384)	—
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(4)	(4)	—	—
Common Equity Tier 1 capital	**2 126**	**2 231**	**41 810**	**44 798**
Additional Tier 1 capital	**250**	**250**	**3 212**	**2 710**
Additional Tier 1 instruments	250	250	5 705	2 710
Phase out of non-qualifying Additional Tier 1 instruments	—	—	(2 445)	—
Non-qualifying surplus capital attributable to non-controlling interest	—	—	(48)	—
Tier 1 capital	**2 376**	**2 481**	**45 022**	**47 508**
Tier 2 capital	**738**	**764**	**6 963**	**7 928**
Collective impairment allowances	—	—	365	365
Tier 2 instruments	764	764	7 563	7 563
Non-qualifying surplus capital attributable to non-controlling interests	(26)	—	(851)	—
Investment in capital of financial entities above 10% threshold	—	—	(114)	—
Total regulatory capital	**3 114**	**3 245**	**51 985**	**55 436**
Risk-weighted assets	**17 767**	**17 308**	**283 600**	**261 263**

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

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating CET1 capital. The impact of this deduction totalling £55 million for Investec plc and £36 million for IBP would lower the CET1 ratio by 31bps and 21bps respectively.

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

^^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 117bps and 164bps lower respectively.

^^^ Investec Limited uses the Internal Ratings Based (IRB) approach to quantify credit RWA. As at 31 March 2023, 55% of the portfolio applies the AIRB approach, 28% applies the FIRB approach and the remaining 17% of the portfolio is subject to the standardised approach.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Capital structure and capital adequacy

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

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

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

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

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

^^^ Investec Limited uses the IRB approach to quantify credit RWA. As at 31 March 2022, 39% of the portfolio applies the AIRB approach, 44% applies the FIRB approach and the remaining portfolio of 17% is subject to the standardised approach.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Risk-weighted assets

	Standardised		IRB Scope^^^		Standardised		IRB Scope^^^	
	Investec plc* £'million	IBP* £'million	**Investec Limited* R'million**	IBL* R'million	**Investec plc* £'million**	IBP* £'million	**Investec Limited* R'million**	IBL* R'million
	At 31 March 2023				**At 31 March 2022**			
Risk-weighted assets**	**17 767**	**17 308**	**283 600**	**261 263**	**16 980**	**16 462**	**319 048**	**286 903**
Credit risk	14 122	14 118	218 883	206 693	13 366	13 332	245 092	232 521
Equity risk	594	153	14 283	10 437	562	57	26 513	12 253
Counterparty credit risk	477	487	7 930	7 930	555	591	8 712	8 812
Credit valuation adjustment risk	37	37	3 477	3 477	103	103	5 410	5 462
Market risk	513	511	6 875	5 784	608	608	4 547	4 010
Operational risk	2 024	2 002	32 152	26 942	1 786	1 771	28 774	23 845

Capital requirements

	Standardised		IRB Scope^^^		Standardised		IRB Scope^^^	
	Investec plc* £'million	IBP* £'million	**Investec Limited* R'million**	IBL* R'million	**Investec plc* £'million**	IBP* £'million	**Investec Limited* R'million**	IBL* R'million
	At 31 March 2023				**At 31 March 2022**			
Capital requirements	**1 421**	**1 385**	**34 067**	**31 384**	**1 358**	**1 317**	**38 285**	**34 428**
Credit risk	1 130	1 129	26 292	24 828	1 069	1 066	29 410	27 904
Equity risk	47	13	1 716	1 254	45	5	3 182	1 470
Counterparty credit risk	38	39	953	953	44	47	1 045	1 057
Credit valuation adjustment risk	3	3	418	418	8	8	649	655
Market risk	41	41	826	695	49	49	546	481
Operational risk	162	160	3 862	3 236	143	142	3 453	2 861

Leverage ratios

	Standardised		IRB Scope^^^		Standardised		IRB Scope^^^	
	Investec plc v* £'million	IBP v* £'million	**Investec Limited R'million*^**	IBL R'million*^	**Investec plc v* £'million**	IBP v* £'million	**Investec Limited R'million*^**	IBL R'million*^
	At 31 March 2023				**At 31 March 2022**			
Tier 1 capital**	2 376	2 481	45 022	47 508	2 229	2 293	47 854	47 766
Total exposure measure^^	25 216	24 945	696 319	662 702	24 185	23 874	649 828	608 062
Leverage ratio^^	**9.4%**	**9.9%**	**6.5%**	**7.2%**	**9.2%**	**9.6%**	**7.4%**	**7.9%**
Tier 1 capital (fully loaded)^^	2 328	2 432	45 022	47 508	2 152	2 216	47 854	47 766
Total exposure measure (fully loaded)	25 168	24 896	696 319	36	24 108	23 797	649 828	608 062
Leverage ratio (fully loaded)* ^^**	**9.2%**	**9.8%**	**6.5%**	**7.2%**	**8.9%**	**9.3%**	**7.4%**	**7.9%**

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

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

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

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £55 million (31 March 2022: £44 million) for Investec plc and £36 million (31 March 2022: £61 million) for IBP would lower the CET1 ratio by 31bps (31 March 2022: 28bps) and 21bps (31 March 2022: 37bps) respectively.

^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 117bps (31 March 2022: 134bps) and 164bps (31 March 2022: 69bps) lower.

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

^^^ Investec Limited uses the IRB approach to quantify credit RWA. As at 31 March 2023, 55% (31 March 2022: 39%) of the portfolio applies the AIRB approach, 28% (31 March 2022: 44%) applies the FIRB approach and the remaining 17% (31 March 2022: 17%) of the portfolio is subject to the standardised approach.

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Total regulatory capital flow statement

At 31 March 2023	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening Common Equity Tier 1 capital	**1 979**	**2 043**	**44 790**	**45 206**
Ordinary share buy-back	—	—	(1 191)	—
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(106)	(112)	(7 765)	(8 956)
Profit after taxation	293	314	7 052	6 792
Treasury shares	(15)	—	(347)	—
Distribution to shareholders	(91)	—	—	—
Share-based payment adjustments	5	—	424	225
Employee benefit liability recognised	—	—	(93)	(85)
Movement in other comprehensive income	(43)	34	1 600	1 758
Investment in financial entity	160	—	415	—
Investment in capital of financial entities above 10% threshold	—	—	(2 914)	—
Shortfall of eligible provisions compared to expected loss	—	—	152	151
Cash flow hedging reserve	(28)	(28)		
Goodwill and intangible assets (deduction net of related taxation liability)	(9)	(9)	(32)	(29)
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	6	—	—
Deconsolidation of special purpose entities	5	3	—	—
Gains or losses on liabilities at fair value resulting from changes in own credit standing	—	—	2	2
IFRS 9 transitional arrangements	(28)	(29)	—	—
Other, including regulatory adjustments and other transitional arrangements	(2)	9	(283)	(266)
Closing Common Equity Tier 1 capital	**2 126**	**2 231**	**41 810**	**44 798**
Opening Additional Tier 1 capital	**250**	**250**	**3 064**	**2 560**
Issued capital	—	—	500	500
Redeemed capital	—	—	(791)	(350)
Other, including regulatory adjustments and transitional arrangements	—	—	439	—
Closing Additional Tier 1 capital	**250**	**250**	**3 212**	**2 710**
Closing Tier 1 capital	**2 376**	**2 481**	**45 022**	**47 508**
Opening Tier 2 capital	**622**	**766**	**8 091**	**9 557**
Issued capital	346	346	2 570	2 431
Redeemed capital	(348)	(348)	(5 936)	(4 347)
Collective impairment allowances	—	—	(59)	(59)
Investment in capital of financial entities above 10% threshold	—	—	507	—
Other, including regulatory adjustments and other transitional arrangements	118	—	1 790	346
Closing Tier 2 capital	**738**	**764**	**6 963**	**7 928**
Closing total regulatory capital	**3 114**	**3 245**	**51 985**	**55 436**

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

CAPITAL MANAGEMENT AND ALLOCATION
CONTINUED

Total regulatory capital flow statement

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

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

Governance

02

IN THIS SECTION

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT

"A strong and effective Board is central to helping the delivery of the Group's strategy."

Philip Hourquebie
Chair

Introduction

The DLC Nominations and Directors' Affairs Committee (Nomdac or the Committee) champions the Group's long-term success through its dedicated focus on people and governance matters. This report details the role of the Committee and the important work it has undertaken during the year. The role of the Committee remains vitally important in ensuring that the Group has a strong, value-adding and effective Board, with a diverse range of skills and perspectives. The Committee also ensures there is a high-quality senior management team in place, focused on the long-term, and enabling us to make a positive difference for all of our stakeholders.

Role and responsibilities

The role of the Committee is to:

- Consider succession plans for the Board and senior management
- Monitor the talent pipeline for senior management and initiatives to develop internal capability
- Review the skills, knowledge, experience and diversity of the Board
- Monitor compliance against corporate governance guidelines and the Board Diversity Policy
- Review the size, structure and composition of the Board and the Board Committees
- Oversee the Board effectiveness review.

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

Board and Board Committee changes

As mentioned in my introduction to the Governance report on pages 125 and 126 of the Investec Group's 2023 integrated and strategic report, there have been a number of changes to the Board and its committees.

In May 2022, we announced the appointment of Vanessa Olver as an independent Non-Executive Director. Vanessa assumed the role of Chair of the DLC Board Risk and Capital Committee (BRCC) when David Friedland, having reached nine years of service with the Group in March 2022, stepped down from the Board at the Annual General Meeting (AGM) in August 2022.

In September 2022, we appointed Nicky Newton-King, an independent Non-executive Director as a member of the DLC Remuneration Committee.

In May 2023, we announced the following changes:

- Richard Wainwright and Ciaran Whelan will not stand for re-election at the 2023 AGM, and will accordingly step down from the Board in August 2023
- Khumo Shuenyane, who will reach nine years of service with the Group in August 2023, will also not stand for re-election at the 2023 AGMs of the Group and IBL, and will accordingly step down from the Board and IBL Board in August 2023. I will succeed Khumo as Chair of the IBL Board, with Nicky succeeding Khumo as Chair of the DLC Social & Ethics Committee (SEC)
- Zarina Bassa, who will reach nine years of service with the Group in November 2023, will not stand for re-election at the 2024 AGM, and will accordingly step down from the Board in August 2024.

Succession planning

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

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT
CONTINUED

The Committee's ongoing review of the structure, size and composition of the Board and its committees helps ensure that the Group maintains the appropriate mix of knowledge, skills, experience and diversity. A summary of Board and Committee composition and attendance can be found on page 140 of the Investec Group's 2023 integrated and strategic report.

The Committee oversees all changes to the Board and its committees. Strong succession planning remains a key focus to help ensure the continuation of an appropriate mix of skills, experience, knowledge, backgrounds and diversity.

2023/24 Focus areas

- Oversee the succession plan for the Board and senior management
- Conduct a recruitment process for potential new Board members, given planned Board retirements
- Monitor progress made with respect to the Board action plan identified following the 2022/23 Board effectiveness review
- Review the framework for the Matters Reserved for the Group Board and the Boards of the Group's principal subsidiaries.

Non-Executive Director recruitment

As was the case during the previous year, Non-Executive Director recruitment has again been a key area of focus, and will continue to be so in the coming year, with the nine-year anniversaries of the appointments of Zarina Bassa and Khumo Shuenyane both taking place in 2023.

Detailed candidate specifications have been agreed, which are reflective of the skills, experience and personal qualities required for the Board going forward, and which take into account the needs of the Board, its committees and the business, as well as planned Board retirements.

We are presently focusing on identifying candidates who have the requisite skills, knowledge, and experience to be able to serve on the Investec Group Audit Committees and potentially chair them.

Independent executive search firms, Russell Reynolds and Dreyton Glendower have been appointed to support our search for additional Non-Executive Directors, with diversity of background and opinion at the forefront of that search. Neither firm has any connection to the Group or any of the directors other than to assist with the searches for executive and non-executive talent.

To ensure due consideration is given to strong potential candidates who would enhance the effectiveness of the Board, the Committee continues to review the recruitment priorities and give further consideration to the desired skills and experience of potential candidates.

Board diversity

The Committee's focus on inclusion and diversity sets the tone and direction for Investec to be an inclusive employer, with diverse teams delivering for the benefit of all of our stakeholders. Read more on Board diversity on page 139 of the Investec Group's 2023 integrated and strategic annual report.

Board effectiveness review

The Committee oversees the review of Board effectiveness, and assesses the feedback from the evaluation process. The 2022/23 review was internally facilitated by Company Secretarial. Full details are provided on page 144 of the Investec Group's 2023 integrated and strategic annual report.

Governance

The Group applied the UK Corporate Governance Code and the South African King IV Code for the financial year ending 31 March 2023. The statements of compliance may be found on pages 132 and 133 of the Investec Group's 2023 integrated and strategic annual report.

Committee composition

We welcomed Vanessa Olver as a member of the Committee, following her appointment as Chair of the DLC BRCC. Her appointment has further strengthened the skills, knowledge, experience and diversity of the Committee.

Khumo Shuenyane will step down as a member of the Committee on retiring from the Board in August 2023. Nicky Newton-King will join as a member of the Committee on her appointment as Chair of the DLC SEC.

Membership and attendance

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

The Group Chief Executive also attends meetings as appropriate.

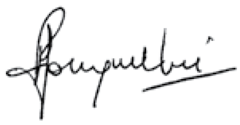
The Committee is mandated by the IBL Board to be the Nominations and Directors' Affairs Committee for IBL. It was accordingly agreed that the IBL Board be appropriately represented. There are currently four IBL Board members serving on the Committee.

Details of individual attendance at the meetings held during the year are set out below.

Members	Meetings attended / Eligible to attend
Philip Hourquebie (Chair)	6/6
Henrietta Baldock[1]	5/6
Zarina Bassa	6/6
David Friedland[2]	2/2
Vanessa Olver[3]	4/4
Khumo Shuenyane	6/6
Brian Stevenson	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.
2. David Friedland stepped down as a member of the Committee on retiring from the Board on 4 August 2022.
3. Vanessa Olver was appointed as a member of the Committee on her appointment as Chair of the DLC BRCC on 4 August 2022.

More information on the skills, knowledge and experience of the Committee members can be found on pages 127 to 131 of the Investec Group's 2023 integrated and strategic annual report.



Philip Hourquebie
Chair, DLC Nomdac
27 June 2023

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT
CONTINUED

What we did in 2022/23

Non-Executive Director succession planning

As mentioned in my introduction, succession planning remained a key focus for the Committee in 2022/23.

We further developed our succession plan for Non-Executive Directors, which includes contingency planning (for any unforeseen departures or unexpected absences), medium-term planning (orderly refreshing of the Board and its committees) and long-term planning (looking ahead to the skills that may be required on the Board in the future).

Executive succession planning and talent management

The Committee also continues to consider the overall health of the executive talent pipeline, together with detailed succession planning for senior management.

During the year, the Committee discussed proposed changes to senior management, as part of the implementation of our executive succession plan.

We regularly review the existing internal pipeline of candidates for immediate and medium- to longer-term movement into key leadership and functional roles. This process is subject to routine challenge to ensure that we understand the breadth of internal potential as well as the experience and expertise offered by external talent pools.

Additional engagement with future leaders is facilitated through presentations at Board meetings, business-led sessions and conferences.

Induction and training

The Chair, supported by the Committee, leads the training and development of directors. On appointment, each director receives a formal and tailored induction, which is supported by an ongoing development programme.

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

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

- ESG
- JSE Listings Requirements / UK Listing Rules
- Technology / Digital / Cyber
- Joint simulation exercise: simultaneous recovery scenario and governance framework

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

Time commitment

The expected time commitment of the Chair and Non-Executive Directors is agreed on appointment. Consideration is given to an individual's capacity to take on the role, based on an assessment of existing external commitments and demands on time. Any changes, such as additional external appointments which could impair the ability to meet the above, can only be accepted following approval of the Chair and Group Chief Executive.

Conflicts of interest and independence

Each Director has a duty to disclose any actual or potential conflict of interest, as defined by law, for consideration and approval if appropriate by the Board. This requirement is supported by the Committee's annual review of the register of directors' interests. Additionally, the Board and its committees consider conflicts of interest at the beginning of every meeting.

Further details of our Conflicts of Interest Policy can be found on page 145 of the Investec Group's 2023 integrated and strategic annual report.

The annual review of the register of directors' interests informs the assessment of director independence.

Based on its assessment for the year, the Committee is satisfied that, with the exception of Stephen Koseff, who was appointed as a non-Independent Non-Executive Director, all the Non-Executive Directors remained independent in character and judgement.

Read more in the Board report on page 138 of the Investec Group's 2023 integrated and strategic annual report.

Director re-appointment

All Non-Executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended but consistent with best practice, does not exceed nine years unless defined circumstances are deemed to exist, and subject to approval from the South African Prudential Authority, in accordance with directive 4/2018.

In recommending directors for election and re-election at the AGM, the Committee has considered the performance of each of the directors and their ability to continue meeting the time commitments required. We have taken into consideration individual capabilities, skills and experience, independence and any potential conflicts of interest that have been disclosed. The external roles held by all directors were considered to be appropriate.

Governance

During the year the Committee reviewed the Group's governance framework and associated processes. This included a comprehensive review of the Matters Reserved for the Board, IBL Board, IBP Board, IW&I South Africa Board and IW&I UK Board, which were refined, and consolidated within a single document.

We have also made certain improvements to further support the connectivity between the Board, and the boards of the Group's principal subsidiaries. Building upon our model of the chairs of our Board committees also being members of the respective subsidiary board committee and the chairs of the subsidiary boards being members of the Group Board, we have introduced regular reports from the Group Chief Executive to the boards of the Group's principal subsidiaries, and established an annual Directors' Conference. The Directors' Conference is designed to foster social cohesion and strategic alignment across the boards, with invitations extended to the directors, executive leadership and senior management of the Group and its principal subsidiaries.

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

DLC SOCIAL AND ETHICS COMMITTEE REPORT

> Creating long-term value for our stakeholders requires us to contribute positively to society and the environment.

Khumo Shuenyane
Chair of the DLC SEC

Introduction

I am pleased to present the 2023 report of the Investec DLC Social and Ethics Committee. The Committee comprises independent Non-Executive directors and executive directors. Its composition is designed to provide the breadth of experience necessary for effective consideration of the issues that are presented to us. The composition is in accordance with the requirements of the South African Companies Act. Committee meetings are also attended by key business leaders in the Group. This initiative together with the Committee's interaction with the DLC ESG Executive Committee, support the continued integration of sustainability matters across the Group.

Role and responsibilities

The role of the Committee is to:

- Ensure that the Group promotes environmental, social and economic development
- Oversee the Group's sustainability and climate-related policies, processes and response to climate-related matters
- Monitor the Group's standing in terms of the goals and purpose of the UN Global Compact's 10 principles, as well as our priorities in terms of the UN SDGs
- Oversee the Group's behaviour as a corporate citizen, including its contribution to the development of our communities
- Monitor the Group's standing in terms of the goals and purpose of the South African Employment Equity Act, and the South African B-BBEE Act
- Oversee the Group's initiatives to ensure ethical behaviour and business practices
- Fulfil the statutory requirements of a Social and Ethics Committee as stipulated by the South African Companies Act.

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

Membership and attendance

Due to tenure and independence requirements as per the South African Prudential Authority (SA PA) Directive 4 of 2018, I will be stepping down from Investec's Boards and Committees at the Group AGM on 03 August 2023.

Moni Mannings, who was a member of the IBP Board and a representative of IBP on the Committee, resigned from IBP and effectively from the Committee in January 2023. The Committee remains appropriately constituted despite her departure .

Nicky Newton-King, an existing member of the Committee, will assume the Chair role after the AGM.

Attendance for the year was as follows:

Members	Meetings attended / Eligible to attend
Khumo Shuenyane[1]	4/4
Moni Mannings[2]	3/4
Morris Mthombeni	4/4
Nicky Newton-King[3]	4/4
Jasandra Nyker	4/4
Fani Titi	4/4

1. Khumo Shuenyane will step down as the Chair on 03 August 2023.
2. Moni Mannings stepped down as a member and representative of IBP on 31 January 2023.
3. Nicky Newton-King will take the role of Chair on 03 August 2023.

More information on the skills, knowledge and experience of the Committee members can be found on pages 127 to 131 of the Investec Group's 2023 integrated and strategic annual report.

Environment

The Group remains committed to working towards a better world, and it was therefore pleasing to see that Investec was rated by Corporate Knights as one of the top 100 most sustainable

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

companies in the world. We were also recognised by numerous high rankings in sustainability indices that included our peer organisations in the financial services industry.

Investec delivered on the commitment made at the 2022 AGM to disclose Scope 3 financed emissions and its short-, medium- and long-term ambitions. This will put the organisation on a path to achieve net-zero emissions according to the Paris Agreement. Investec has placed considerable effort on developing a baseline for Scope 3 financed emissions and developing short-, medium- and long-term targets. We continue to work with the Partnership for Carbon Accounting and Financials (PCAF) on the development of these standards. A disclosure of the financed emissions with a comparative analysis to the baseline using the best practice methodologies of PCAF can be found in the Investec Group's 2023 Task Force on Climate-related Financial Disclosures (TCFD) report.

The company operates in two distinct geographical regions, and is aware of the challenges each region faces. A Just Transition approach is tailored to the unique needs and features of each geography, keeping in mind the needs of developed and developing economies. Management reviewed the South African Just Energy Transition Plan (JETP) and the progress made to manage the coal exposures of the South African-based business. The South African businesses remain committed to achieving net zero by 2050 as members of the Net Zero Banking Alliance undertaking. The Investec Group has committed to zero thermal coal exposures in our loan book by 31 March 2030.

As the geopolitical climate has changed, global views on fossil fuel have shifted, prompting a review of the Fossil Fuel Policy. Taking into account the unique climate landscape of South Africa and the net zero transition, the sustainability team worked extensively with different business units and internal stakeholders to review and update the Fossil Fuel Policy.

In addition, we acknowledge that the organisation is exposed to multiple types of biodiversity related risks through its activities. To address this, the Group released its position statement on biodiversity which is available on the Investec website.

We noted the newly released recommendations by the Task Force for Nature Related Financial Disclosures (TNFD) and ensured these were incorporated within the high level approach to Investec's TCFD report.

Further information can be found in the Investec Group's 2023 sustainability report.

Social

Investec remains committed to empowering its people to ensure the business achieves its goals.

In the wake of the COVID-19 pandemic and its long-term effects, we placed a high priority on people's welfare, as well as on our commitment to provide them with mental, physical, psychological and financial wellbeing programmes.

The physical environment serves as a "relational glue" for the Investec culture. Therefore, the organisation began transitioning to returning to the office with a high degree of flexibility. Being in the office and building relationships with one another and clients underpins Investec's 'Out of the Ordinary' experience. Overall, staff morale has improved since Covid as the Group transitions from hybrid work mode to the office.

Due to Investec's unique business model, it has historically been exempt from the access to financial services pillar (which measures access to financial services and products for lower income groups) of the Broad-Based Black Economic Empowerment (B-BBEE) scorecard. During the past financial year, due to a change in the approach by the Financial Sector Transformation Council (FSTC), the exemption was not granted, resulting in Investec's B-BBEE rating moving from level 1 to level 2. As a financial institution, we fully appreciate the need to stretch our reach and encourage financial inclusion for all segments of the population. In order to achieve this, we believe education, entrepreneurship, and job creation should be focused on creating active economic participants, which in turn will lead to financial inclusion. Investec contributes to economic growth and societal transformation in South Africa through several initiatives, including Youth Employment Service; SA SME fund; Revego Fund; StartUp School and ProMaths. These initiatives go beyond the commitments outlined in Investec's B-BBEE Scorecard. Investec was granted the exemption for the 2023 financial year.

Investec is committed to the ten principles of the United Nations Global Compact which relate to human rights, labour, environment and anti-corruption and we support the international agenda to abolish human trafficking, slavery forced and child labour. In support of this commitment we have released a Group Modern day slavery statement which is available on the Investec website.

Governance

We introduced ESG performance measures for Executive Directors' remuneration in the previous year. As a Committee, our current year review examined the merits of linking ESG metrics and KPIs to Executive Directors' compensation versus the Sustainability Framework. See the Investec Group's remuneration report for more information.

We also implemented a comprehensive ESG learning strategy across the organisation. In May 2022, Investec Wealth and Investment South Africa launched a pilot programme for ESG learning which will be rolled out to the rest of the business if successful.

During the year, we monitored key reputational risk issues and executive management's response to these matters.

Using a two-pronged approach involving formal quantitative measures and informal discussion key points, we have introduced a new methodology for ethics reporting, incorporating metrics on ethical issues in the environment, social and governance aspects.

With my term as Chair of this Committee coming to an end, I would like to express my gratitude for the support, guidance, and encouragement I have received from the Committee and the Group. It is an honour to have been part of an organisation that espouses excellence, professionalism and, collaboration, and that truly lives up to its purpose statement. Furthermore, I would like to thank Moni Mannings for her outstanding contributions to the Committee and wish Nicky Newton-King well as she assumes the role of Chair of the Committee, I have no doubt that she will ensure that the effectiveness of the Committee will continue to be enhanced.

Khumo Shuenyane
Chair, DLC SEC
27 June 2023

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

What we did in 2022/23

Sustainability including Climate change

In order to maintain a sustainable business and protect the environment, we continue to focus on the effects of climate change. We monitor climate change as a material risk through the DLC BRCC.

Over the course of the year, the Committee reviewed many presentations, including:

- An update on the impact of the Russian invasion of Ukraine on global climate change initiatives
- An update regarding the progress made on our net zero ambitions
- A summary of discussions held at COP 27 and the global energy transition
- An update on the Group modern day slavery statement
- An update on the Group biodiversity statement
- An update on the progress made to strengthen the Group fossil fuel policy
- An update on the supplier screening process for ESG related matters
- An update on the business initiatives designed to support our clients in their participation in the transition.

In addition:

- We reviewed data quality to improve the overall Group emissions reporting and enhance climate disclosures for our Wealth & Investment business
- With a focus on improved scores, we reviewed the Sustainalytics controversy report and addressed some metrics where we were rated lower
- We reviewed and subsequently realigned our UK and SA whistleblowing policies
- We monitored the implementation of policies, especially the Fossil Fuel Policy, and explored how it aligned with the energy landscape in SA.

Sustainable finance

The Sustainable Finance Framework continues to be implemented in line with the Sustainable Development Goals.

The following initiatives were undertaken during the past year:

- After several years of engagement, a climate loan, aimed at implementing Transforming Financial Systems for Climate (TFSC) in South Africa, has been finalised. The package comprises a senior credit facility of $80mn and a technical assistance programme. The programme will contribute to SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), and SDG 13 (Climate action)
- The sustainable equity fund launched by Investec Wealth & Investment (UK) launched in March 2021 continued to grow
- Investec launched a product to assist clients with Just Transitions, enabling us to present our ESG advisory service to some of SA's corporate clients.

We are pleased to report that our SA Wealth & Banking business, together with Investec Private Bank, has been recognised as Africa's best private bank and wealth manager for philanthropic services in 2022.

Further information can be found in the Investec Group's 2023 sustainability report.

Belonging, Inclusion and diversity (BID)

The Committee considered the Group's empowerment rating based on its compliance with the South African Broad-Based Black Economic Empowerment (B-BBEE) Act.

With a variety of initiatives improving our focus on financial inclusion, we achieved level 1 rating for B-BBEE.

Following the one-year deferment to the re-election of members due to COVID-19 restrictions, the Employment Equity Forum in SA elected a new Chair, Phillip Thuthuka-Dube and a Deputy Chair, Farieza Essop, in 2023. To ensure a more detailed discussion on equity, the Forum also initiated divisional EE forums. In addition to these Forums, the development and enhancement of other BID networks are continuing, including Investec's Gender Balance network, Pride (LGBTQ+) and Young Minds network.

In keeping with the commitment to the reasonable accommodation of all employees, several initiatives are geared towards inclusion such as the learnership for disabled people in partnership with the National Institute for the Deaf.

The Committee reviewed the progress toward the revised employment equity plan targets. Our business and the banking industry continue to monitor the changes that will be implemented on promulgation of the Amended Employment Equity Act.

The Committee monitors the Group's progress with respect to gender and diversity targets, with the UK pay gap reports and South African labour report available on our website.

Based on Investec's cultural positioning that encourages employees to bring their whole, authentic self to work, our key focus areas for 2023/24 are:

- Values
- Considering global alignment wherever possible for all policies, procedures, and practices

Leadership development to promote belonging, inclusion, and diversity and:

- Enhancing existing BID networks, including the Gender Balance Network, Multicultural Network, Pride Network, Young Minds Network, and the EE Forum
- Increasing awareness of neurodiversity and reasonable accommodations for neurodiverse employees
- Raising awareness of disabilities
- Continuing to work on making decision making forums and senior management more representative.

Ethics and culture

Since inception our culture, has been a key enabler of Investec's success. As our culture, continues to evolve, we see it as our shared responsibility to preserve and strengthen it.

A key theme of the Investec Group Conference held in February 2023 was aligning our strategy with our ethos as a purposeful organisation. Following the conference, which was well received by those who attended, several initiatives are in the planning stages to drive the Investec narrative. To reinforce our culture and ensure that it serves the success of the organisation, management have initiated a series of culture conversations to reflect on how Investec lives its culture collectively in a post Covid reality.

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

A review of our organisational values was initiated in accordance with the new purpose statement which is: "Our purpose is to create enduring worth", with the goal of updating our diversity value to reflect how the Group seeks to achieve BID within the organisation.

On 21 September 2022 we held our Board meetings, at Constitutional Hill, in order to experience this historical site. We embarked on a journey to examine significant events that shaped the South African democracy. Through this experience, the Investec Board was able to gain a greater understanding of apartheid victims' lived experiences. By exploring and learning together, we will come to understand our individual and collective responsibility in creating a climate of inclusion and belonging, where everyone is able to experience the ease of being.

Over the current year we will also engage in immersive experiences that allow participants to engage, to make sense of the complexity inherent in socio-economic and development issues. The role of the organisation in living its purpose requires multi-disciplinary wisdom and expertise, and these events compel each of us to contemplate what it is truly like to live meaningfully in our society and how we create lasting worth for ourselves and our stakeholders.

Stakeholder engagement

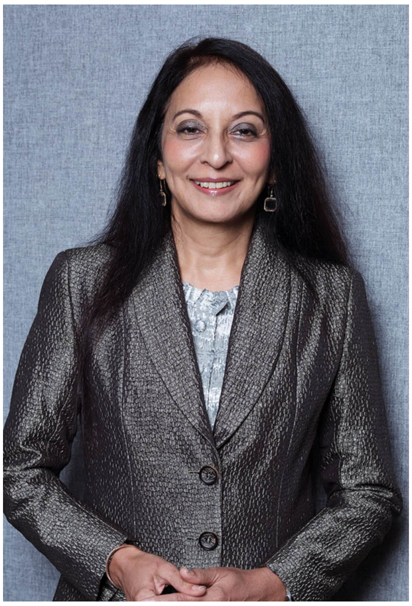
We reviewed and incorporated key themes from stakeholder engagement into our plans to the extent applicable, highlighting an increase in stakeholder engagement.

Looking ahead

2023/24 Focus areas

- Support and monitor the advancement of the Group's Purpose driven initiatives
- Monitor the Group's climate-related targets and progress
- Oversee the evolution and changes to the Fossil Fuel Policy to ensure alignment with our net-zero ambitions to the Paris Agreement
- Monitor the Group's relationships with suppliers, clients and communities.

DLC AUDIT COMMITTEE REPORT



"Robust challenge, integrity and effective governance are the pillars of a successful organisation."

Zarina Bassa

Chair of DLC Audit Committee

Introduction

I am pleased to present the DLC Audit Committee (the Committee) report for the financial year ended 31 March 2023 which provides details on how we accomplished our statutory obligations, as well as the Key Audit Matters (KAMs) we considered.

The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2022/23 annual report and financial statements.

Role of the Committee

We provide independent challenge and oversight across the Group's financial reporting and internal control procedures.

The Board has delegated the following key functions to the Committee:

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

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

Committee composition, skills, experience and operation

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

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

David Friedland stepped down as a member of the Committee on retiring from the Board at the AGM in August 2022. In May 2022 Vanessa Olver was appointed to the DLC Audit Committee on her appointment as a Non-Executive Director of the Board.

As I will be reaching my nine year tenure on 1 November 2023 I will be stepping down as Chair of the Committee at the August 2024 AGM. The DLC Nomdac will further embark on a process to appoint an additional member and new Chair of the Committee.

Further details of the experience of the members can be found in their biographies on pages 127 to 131 of the Investec Group's 2023 integrated and strategic report.

DLC AUDIT COMMITTEE REPORT
CONTINUED

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

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

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

Members	Meetings attended / Eligible to attend
Zarina Bassa (Chair)	7/7
David Friedland[1]	2/2
Vanessa Olver[2]	5/5
Philisiwe Sibiya	7/7

1. David Friedland stepped down as a member of the Committee effective 4 August 2022.
2. Vanessa Olver was appointed as a member of the Committee effective 18 May 2022.

Structure of the Investec Group Audit Committees

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

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

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

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

- Investec plc
- Investec Limited
- Investec Bank Limited
- Investec Bank Mauritius (IBM)
- Investec Wealth and Investments International.

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

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

The Chair attends the following Committee meetings:

- Operational Risk Committee
- DLC IT Risk and Governance Committee.

Investec Limited Operational Risk Committee

The Investec Limited Operational Risk Committee is mandated by the DLC BRCC to review, challenge and report matters related to operational risk, as well as to approve and recommend operational risk policies including issues relating to non-compliance. The detailed Operational Risk reports are tabled at the DLC BRCC but the head of Operational Risk is a standard attendee at the INL and DLC Audit Committee meetings to highlight areas of concern, if any, pertaining to the internal control environment.

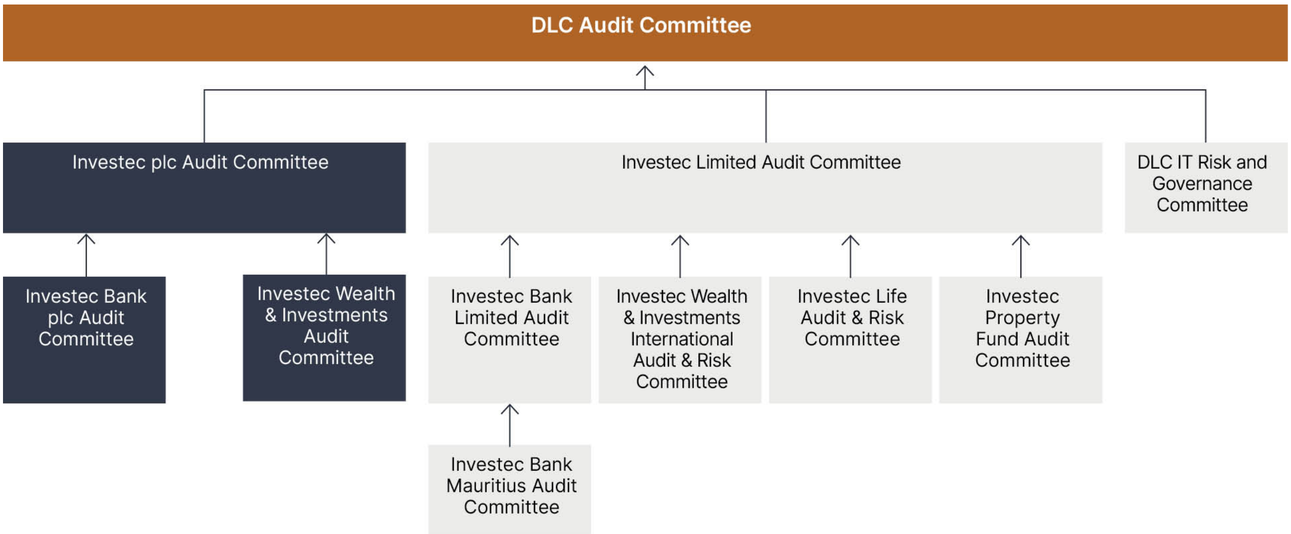
The DLC IT Risk and Governance Committee

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

Investec Limited Customer Market and Conduct Committee (CMCC)

The Investec Limited CMCC ensures that the best standards of market conduct, in its broadest form, are applied and monitors reports thereon. The Committee is chaired by the Head of Compliance of Investec Limited and Investec Bank Limited. The Committee reports to the DLC Audit Committee.

DLC AUDIT COMMITTEE REPORT
CONTINUED



Areas covered by the DLC Audit Committee

Key audit matters

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

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

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

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

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Expected credit losses (ECL) assessment • The appropriateness of the allowance for ECL is highly subjective and judgemental.	• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group • Evaluated the impact of ECL on the interim and annual results • Reviewed the appropriateness of the ECL models and approved the forward-looking macro-economic scenarios applied in the UK and South Africa • Reviewed and monitored the Group's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, Significant Increase in Credit Risk (SICR), and volatility • Reviewed and satisfied ourselves on in-model adjustments • Assessed the appropriateness of the ECL model overlays maintained for emerging risks for which there was insufficient data available to model the existing credit risk. Specific consideration was given to the methodology and assumptions applied to calculate the overlay. We further evaluated the appropriateness of the releases of the ECL model overlays • Reviewed and satisfied ourselves on staging of key exposures • Assessed ECL experienced against forecasts and considered whether the level of ECL was appropriate • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • Assessed the appropriateness of the ECL provision raised by the Group for large exposures in entities publicly perceived to be in financial distress • Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant South African and UK peers.
Fair value of level 3 instruments and the resulting IFRS 13 fair value measurement (IFRS 13) disclosure • For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is a large degree of subjectivity surrounding the inputs to the valuations and valuations methodology. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental.	• Received presentations on the material investments across the Group, including an analysis of the key judgements and assumptions applied, valuation methodology applied and approved the valuation adjustments proposed by management for the year ended 31 March 2023 • 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 – The appropriateness of the IFRS 13 disclosures regarding fair value.
Uncertain tax and other legal matters	• Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements • 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 considered the feedback as received from external and internal legal counsel and the probability of the outcomes including a commercial settlement. Refer to note 53 of the annual financial statements • Received regular updates from the Group Executive, Group Tax, Group Finance and Group Legal Counsel on uncertain tax and legal matters to enable the Audit Committee to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Uncertain tax and other legal matters (continued)	• Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax positions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the International Accounting Standards (IAS) 37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Refer to note 53 in the Investec Group's 2023 annual financial statements.
Investments in associates	• Evaluated the appropriateness of the accounting treatment of the investment in Ninety One and the resulting gain recognised in the income statement at a DLC level, Investec Limited level and Investec plc level, that was previously accounted for as an associate prior to the distribution of the Ninety One shares and an investment measured at fair value through Other Comprehensive Income (OCI) post this distribution • Evaluated the appropriateness of the accounting treatment and valuation of the investment in IEP that was previously accounted for as an associate prior to the restructure of the investment in November 2022 and subsequently accounted for as a fair value instrument recognised in profit and loss • Reviewed the technical accounting memoranda prepared by Group Finance regarding the accounting treatment of Ninety One and IEP. The memoranda addressed the appropriate accounting treatment of the distribution of the Ninety One shares that resulted in the derecognition of the investment as an associate and the restructure of the investment in IEP that resulted in the derecognition of the investment as an associate for IEP • Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, impairment, valuation methods and assumptions applied.
Going concern and the viability statement	• Considered reports on the Group's budgets, forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings, if any, on both going concern and the three-year Viability Statement • Considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of the Group to continue as a going concern • Considered the reports issued by an independent external party post a regulator required liquidity simulation of Investec Limited and Investec DLC • Considered the impact of strategic corporate actions on the capital plans and the three year viability statement • Recommended the approval of the going concern and the Group Viability Statement assumption underlying the annual financial statements to the DLC Board for approval • Noted the Investec Bank plc Viability Statement as recommended for approval by the IBP Audit Committee to the IBP Board.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Information technology systems, cyber security and controls impacting financial reporting	• Received and reviewed reports in respect of IT systems, cyber security and controls impacting financial reporting • Received regular reports from internal audit on the effectiveness of IT controls tested as part of the internal audit process • Considered broader IT and Governance matters, including security, IT strategy and operations through attendance by the Audit Committee and BRCC Chairs at the DLC IT Risk and Governance Committee • Focused on IT and cyber security throughout the year. Since 2015, Investec has been using Targeted Attack Simulations (TAS) to understand our cyber risk exposure and adequacy of our security controls. Received a presentation on the results of the 2022/23 TAS • Met with IT external auditors to discuss the results of the external audit of IT systems.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
External audit and audit quality	• Managed the relationship with the external auditors, Ernst & Young LLP, Ernst & Young Inc., KPMG Inc. and PwC Inc. • Considered the external auditors report on the progress of the review engagement being performed on the interim results. Reviewed the results announcements for both interim and final results • Met with key members of Ernst & Young LLP and Ernst & Young Inc. (auditors of DLC), Ernst & Young LLP (auditors of Investec plc) and Ernst & Young Inc. and KPMG Inc. (auditors of Investec Limited) prior to every Audit Committee meeting to discuss the 2022/23 audit plan, key areas of focus, findings, scope and conclusions • Monitored the rotation of PwC Inc. as the new external audit firm of Investec Property Fund (IPF) from 1 April 2022 • Obtained feedback from the cross-reviews performed between the joint firms at an Investec Limited level, and by the DLC team across a DLC level. Furthermore KPMG International conducted a cross-review of KPMG South Africa • Pre-approved all non-audit services provided by External Audit and confirmed the services to be within the approved non-audit services policy • Discussed external audit feedback on the Group's critical accounting estimates and judgements • Approved the external audit plan, audit fee and the main areas of focus • Assessed the independence and objectivity of the external auditors • Noted the unqualified independent auditor's report in relation to the Group • Received updates from the external auditors on the audit of the Annual Financial Statements (AFS) of the Group including the Summary of Audit Differences for the year ended 31 March 2023. The Audit Committee ensured that it was comfortable that the level of unadjusted audit differences were within tolerable error for both actual and judgemental differences and that there was no bias towards over or understatement • Met separately with the leadership of Ernst & Young Inc., KPMG Inc., and Ernst & Young LLP to discuss JSE auditor accreditation, Independent Regulatory Board for Auditors (IRBA) ratings and accreditations, independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners • Monitored the rotation of the Ernst & Young Inc. audit partner at an Investec Wealth & Investment International level • Monitored the rotation of the lead KPMG Inc. audit partner at an Investec Limited and Investec Bank Limited level • Monitored audit quality and audit partner accreditation as specified by the JSE. In line with the conditions set out in Section 94(8) of the Companies Act and based on its assessment using the criteria set out by the King IV™ Code, and the JSE Listings Requirements, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Mandatory audit firm rotation (MAFR)	• Managed the process in relation to the commencement of the shadow audit process by PwC Inc. for the audit of Investec Limited starting during the 2023 financial year. Oversaw the commencement of the shadow audit process by PwC Inc. • Recommended to the Board the re-appointment of Ernst & Young LLP as the External Auditors of Investec plc and Investec Bank plc and the re-appointment of Ernst & Young Inc. and the appointment of PwC Inc. as the external auditors of Investec Limited and Investec Bank Limited for the year ending 31 March 2024 • Concluded the comprehensive competitive tender process for the first joint audit firm rotation for Investec Limited during 2021. A competitive tender process for the second rotation commenced during 2022, for the second incoming audit firm to perform the audit for the financial year starting 1 April 2024, in accordance with the MAFR rules as published by the IRBA • Concluded a comprehensive tender process in respect of the rotation of the external auditors of Investec plc. Deloitte LLP was nominated as the new joint external auditor for the financial year starting 1 April 2024. A one year shadow period will commence, subject to shareholders approval, at the AGM to be held in August 2023 • Deloitte Inc. was nominated as the new joint external auditor for the financial year starting 1 April 2024. A one year shadow period will commence, subject to shareholders approval at the AGM to be held in August 2023 • Monitored the non-audit services performed by PwC Inc. during the shadow audit process • Oversaw the allocation of non-audit work to the respective audit firms to ensure that there were no breaches of independence.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters considered by the DLC Audit Committee

The Committee considered the following matters during the year:

Other matters	What we did
Regulatory compliance and reporting	• Received regular reports from the Group Regulatory Compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors or regulators • Requested specific updates or presentations from management on areas considered high risk or where exceptions had been identified • Received regular updates from the compliance function in respect of Regulatory Interactions, Risk Ratings and High-Risk exposures, Conduct, Financial Crime, Compliance Monitoring, Training, Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) reviews conducted in respect of Group subsidiaries • Considered regulatory developments and the potential impact on South Africa and the UK, following the addition of South Africa to the FATF greylist in February 2023 • Reviewed the reporting obligations in line with the listing rules requirements in respect of the Investec Limited share buy-back of Investec plc shares and the distribution of the Ninety One shares.
Post balance sheet disclosure	• Considered any post balance sheet events that may require the AFS to be adjusted or require additional disclosure including in respect of the proposed sale of the Investec Property Fund Limited (IPF) asset management function in South Africa and Europe and regulatory matters and the proposed combination of Investec Wealth & Investment UK and Rathbones Group. Refer to note 62 in the Investec Group's 2023 annual financial statements • Reviewed and approved the publication of a no-change statement.
Climate, nature and biodiversity and environmental, social and governance (ESG)	• Reviewed ESG reporting and disclosures • Considered the level of external assurance obtained on ESG reporting and disclosures • Considered the Task Force for Climate Related Disclosures (TFCD) reporting requirements.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Internal controls • The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans.	• Attended regular meetings of the DLC BRCC. Based on reports presented at those meetings, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • Attended the IBL liquidity simulation on 30 August 2022 facilitated by PwC Inc. which tested the Bank's response to a simulated liquidity crisis. The simulation focused on the liquidity of IBL, the collective behaviour of the Bank in response to the scenario and the Board approved Contingency Funding Plan (CFP) and Recovery Plan • Evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • Reviewed reports from the independent audit committees of the Group's subsidiaries • Evaluated the impact of working from home on the overall control environment and operational risk • Evaluated reports on the internal control environment from the internal and external auditors with specific emphasis on culture and conduct elements in the internal audit reports. Noted internal audit reports and conclusions on internal controls, internal financial controls and the risk management framework for the year under review • Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the Group's IT controls. Considered updates on key internal and external audit findings with respect to the IT control environment • Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage • Reviewed the reports of the Investec Limited Customer Market and Conduct Committee • Evaluated reports on cyber security within the Group and received a presentation on the outcome of the 2022/23 TAS • Reviewed the work performed by Group Finance to support the control attestation made by the Group Chief Executive and Group CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix.
Combined assurance matrix	• Confirmed our satisfaction with the appropriateness of the design and effectiveness of the combined assurance model applied, which incorporates the various disciplines of Risk Management, including Operational Risk, Legal, Regulatory Compliance, internal audit, external audit and other assurance providers • Confirmed our satisfaction with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks • Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year-end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes • Reviewed the year-end conclusions from internal audit on internal controls, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Fair, balanced and understandable reporting • The Group is required by the UK Corporate Governance Code to assess and confirm that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.	• Undertook an assessment on behalf of the Board, to provide the Board with assurance that it can make the statement • Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements and the quality of earnings assessment • Considered the appropriateness and the cause of the restatement of the annual financial statements. Concluded the cause of the restatement to be a result of additional information obtained through improved financial systems rather than a lack of financial control • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences • Took note of the areas highlighted to the Audit Committee by the JSE through its Pro-active Monitoring Process of the AFS of listed companies. Ensured these were appropriately considered in the AFS • Considered feedback from Group Finance in respect of a project launched to refine the annual integrated report in order to improve disclosures, improve financial control and reporting processes • Concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2023 were appropriate in ensuring that those statements were fair, balanced and understandable • Reviewed feedback received from analysts in respect of the annual report as provided by Investor Relations and incorporated the feedback into the annual report • Reviewed the outcomes of the combined assurance coverage model as discussed above • Reviewed the process put in place to provide assurance on the Group Chief Executive and Group CFO attestation.
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans.	• Received regular reports from the subsidiary audit committees • Attended the audit committees of all significant subsidiaries • Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management and scrutinised action plans following internal audit findings • Reviewed the process for reporting to the DLC Audit Committee by key subsidiaries and associates and considered regular reports from such entities, for example, IPF and Investec Life.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Finance function	• Considered the financial reporting as prepared by Group Finance regarding the interim results for the period ended 30 September 2022 and final results for the 31 March 2023 year end • In a closed session, discussed and concluded that the finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries were adequately skilled, resourced and experienced to perform the financial reporting for the Group and that appropriate succession was in place for key roles • Concluded that the Group FD, Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position.
IFRS	• Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatments and significant accounting judgements • The Audit Committee chair discussed the key judgements and complex accounting treatments with both external audit and management in the weekly meetings leading up to the year-end sign off • Reviewed and obtained confirmation from Group Finance that the recommendations in the JSE proactive monitoring report and the FRC annual review had been implemented in the preparation of the annual financial statements • Concluded on the reasonableness of the significant accounting judgements • The 2022 AFS of Investec plc were subject to a review by the Financial Reporting Council (FRC) in the current year. The outcome of the review confirmed compliance with IFRS and regulatory disclosure requirements.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Related party disclosures	• Considered and reviewed related party disclosures for the Group • DLC Nomdac reviewed key related party transactions during the year and ensured compliance with Investec related party policies.
Internal audit • The performance of Internal Audit and delivery of the Internal Audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan • The Committee is responsible for assessing audit quality and the effectiveness of the internal audit function.	• Scrutinised and reviewed internal audit plans, risk assessments, methodology and staffing, and approved the annual plan • Deliberated on and approved the revised Group internal audit charter • Monitored delivery of the agreed audit plans, including assessing Internal Audit resources, Continued Professional Development (CPD), succession, core skills development and automation of audit processes • Monitored and followed up internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management • Tracked high and moderate risk findings, and monitored related remediation plans • Met with the heads of internal audit prior to each Audit Committee meeting, without management being present, to discuss the remit of and reports of internal audit and any issues arising from the internal audits conducted • Monitored audit quality in relation to internal audit. The methodology, process and skills were presented to a separately convened Audit Committee to consider audit quality • Discussed and considered the internal audit quality assurance programme. The internal audit quality assurance programme is designed in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics) • Confirmed our satisfaction with the performance of the internal audit function • Reviewed the Investec Limited and Investec plc written assessment of the overall effectiveness of the organisation’s governance, risk, and control framework, including an assessment of internal financial controls, the risk management framework, adherence to the risk appetite and the effectiveness of the overall assurance achieved relative to that planned for the year through the CAM.

DLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
Internal audit (continued)	• Discussed and considered the quality assurance programme. The quality assurance programme is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the Global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post-engagement quality assurance programme • Reviewed the results of the post-engagement quality assurance programme which inform any training interventions required within the team. The results are consolidated and presented to the Audit Committee on an annual basis • IT Audit and Data Analysis - Internal audit developed automated test scripts, allowing for more comprehensive testing of controls covering the full population. This full population testing provides greater coverage than the traditional audit methodology which calls for a sample testing approach. Reviewed and considered the implications of the approach on the audit for the Group • Held a closed session regarding internal audit where the capacity, appropriate skills, independence and quality of the internal audit function was assessed • Considered succession and the skills matrix for internal audit • Subject to regulatory approval, Viola Gounden was appointed as the new Head of Internal Audit. Stuart Mansfield the previous Head of Internal Audit will assume a new role within the Group • Assessed the effectiveness of the internal audit function through completion of a questionnaire which is based on the Internal Audit Financial Code of Practice. The results of the exercise were shared with the Committee, together with action plans to address any concerns raised, which will be tracked to completion.

DLC AUDIT COMMITTEE REPORT
CONTINUED

External Audit

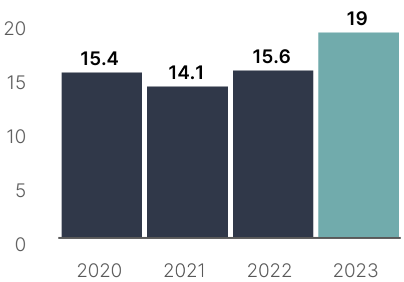
Non-audit services

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

Total audit fees paid for the year ended 31 March 2023 amounted to £19.0 million (2022: £15.6 million), of which £5.8 million (2022: £3.4 million) related to the provision of non-audit services. The non-audit services related to services required to be provided by the external auditor, such as, regulatory audits and work to be performed as reporting accountant. Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment. The Committee also required the policy to be applied to any external services provided by PwC Inc. to ensure the independence of the firm prior to its appointment as joint external auditor for the financial year started 1 April 2023.

The Committee further required the policy to be applied to any external services provided by Deloitte Inc. and Deloitte LLP to ensure the independence of the firm prior to its appointment as external auditor for the financial year commencing 1 April 2024.

Total Audit Fees
(£m)



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

Auditor independence and objectivity and audit quality

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

- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Group audit meet the independence criteria
- The key audit partners are required to rotate every five years. The tenure of each of the partners was reviewed and concluded to be aligned with this policy.

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

- Vanessa Mans from KPMG Inc. was appointed as the new designated lead audit partner for Investec Bank Limited for the financial year ended 31 March 2023
- Zaheer Wadee from Ernst & Young Inc. replaced Janneman Labuschagne for the March 2023 audit of Investec Wealth & Investments International
- Francois Prinsloo from PwC Inc. will be the new designated lead audit partner for the financial year ending 31 March 2024 subject to the approval of the appointment of PwC at August 2023 AGM.

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

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

Mandatory Audit Firm Rotation (MAFR)

Investec plc

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

The appointment of Deloitte LLP in a shadow capacity, for the 2024 financial year, will be recommended for approval by ordinary shareholders at the AGM to be held in August 2023.

Investec Limited

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

The Investec Limited Audit Committee considered the implications of the MAFR rule as issued by IRBA, the requirements of the South African Companies Act and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and

DLC AUDIT COMMITTEE REPORT
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the risks inherent in an audit transition. Based on this assessment, following a comprehensive tender process PwC Inc. was nominated as one of the new joint external auditors for the financial year starting 1 April 2023.

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

A competitive tender process for the second rotation commenced in 2022 and was concluded in March 2023 with Deloitte Inc. being proposed as the second incoming audit firm to perform the audit for the financial year starting 1 April 2024. The appointment of Deloitte Inc. in a shadow capacity, for the 2024 financial year, will be recommended for approval by the ordinary shareholders at the AGM to be held in August 2023.

Year	Auditors	Shadow Auditors
2022/23	EY Inc. (SA)	PwC Inc. (SA)
	KPMG Inc.(SA)	
	EY LLP (UK)	
2023/24	EY Inc. (SA)	Deloitte Inc. (SA)
	PwC Inc.(SA)	Deloitte LLP (UK)
	EY LLP (UK)	
2024/25	Deloitte Inc. (SA)	
	PwC Inc. (SA)	
	Deloitte LLP (SA)	

Re-election and appointment of auditors

The Committee has considered the following in selecting external auditors:

- The regulatory need for joint auditors
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a Bank or financial services or group which is of systemic importance
- Transformation
- Technology
- Credentials and Partners
- Regulatory reviews
- Legal cases and reputational matters
- The level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a financial services group and the consequent audit risks
- The independence of the external auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation
- JSE Listings Requirements
- Understanding of the Investec business, culture and financial statement risks.

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

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

Looking ahead

The role of the Committee will remain focused on:

- Ensuring the effective functioning of the Group's financial systems and processes, financial control environment, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements
- Monitoring the impact of the FATF greylisting on compliance processes
- Ensuring a smooth transition of the external audit firms and maintaining audit quality
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business together with ESG accounting disclosures and assurance processes
- Continuing to exercise oversight over subsidiary audit committees, including in remote locations
- Monitoring the implementation of the JSE Listings Requirements, including the effectiveness of internal financial controls
- Identifying an additional Audit Committee member and a successor to take over from me as the Chair of the Committee.

Vote of thanks

I would like to thank the KPMG Inc. audit team for their robust challenge, advice and quality audits during their years of service.

The Audit Committee offers its sincere thanks to David Friedland for his exemplary service and commitment to the Committee.

Zarina Bassa
Chair, DLC Audit Committee
27 June 2023

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT

> Opportunities present themselves but so do threats. So success is achieved with the right risk management and people in place.

Vanessa Olver
Chair of DLC BRCC

Introduction

Following my appointment as Chair of the DLC BRCC (the Committee) in August 2022, I am pleased to report on how the Committee has discharged its responsibilities during the year. Firstly, on behalf of the Committee, I would like to offer my thanks to David Friedland for his excellent work in chairing the Committee and for further enhancing its importance within the Group.

Role of the Committee

Our role is to provide independent oversight of the Group's risk management and capital framework and governance structures. We also consider whether the resources allocated to the risk management functions are adequate for effectively managing the Group's risk exposures.

The Committee met five times during the year and considered the risk and capital reports prepared and presented by management as well as various additional presentations as requested by the Committee. The Committee challenged management to promote understanding and to ensure that both current and emerging risks are well understood.

Furthermore, through Committee meetings as well as interactions with the Group Chief Risk Officer and Heads of Risk of the various subsidiaries, we satisfy ourselves that effective risk management plans, policies, processes and systems are in place to ensure that risks are adequately assessed and timeously and appropriately addressed.

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

Composition and attendance

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

Regular attendees include:

- Group Chief Risk Officer
- Heads of Risk - Investec Bank Limited, Investec Bank plc, Investec Wealth & Investments UK and Investec Wealth & Investment International.

Members	Meetings attended / Eligible to
Vanessa Olver (Chair)[1]	4/5
Zarina Bassa	5/5
David Friedland[2]	2/2
Nishlan Samujh	5/5
Philip Hourquebie	5/5
Khumo Shuenyane	5/5
Henrietta Baldock	5/5
Philisiwe Sibiya	5/5
Fani Titi	5/5
Stephen Koseff	5/5
Nicky Newton-King	5/5
Jasandra Nyker	5/5
Brian Stevenson	5/5

1. Vanessa Olver was appointed as a member of the Committee effective 18 May 2022 and as the Chair of the Committee effective 4 August 2022.
2. David Friedland stepped down as a member of the Committee effective 4 August 2022.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
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Connectivity

In addition to my role as Chair of both the DLC BRCC and IBL BRCC, I serve as a member of the IBP BRCC. This participation allows for a seamless approach across both core banking risk committees and the Group.

I am also a member of the DLC Audit Committee. Given the synergies and nature of the matters considered by the DLC Audit Committee and DLC BRCC, my membership of both committees ensures alignment between the two committees. All DLC Non-Executives are members of the DLC BRCC.

DLC BRCC Committee members attend the IBL BRCC and IBP BRCC meetings by invitation to facilitate their understanding of the risks facing these two banking subsidiaries. This arrangement ensures cohesion between the Group and its principal subsidiaries.

Risk sub-committees

The Investec Wealth & Investments UK and Investec Wealth & Investment International, IBP and IBL Boards have mandated authority to their respective risk committees.

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

DLC Capital Committee

The DLC Capital Committee meets at least four times a year and is mandated to provide effective oversight of the Group's capital management process including the following:

- Capital allocation and structuring
- Capital planning and models
- Performance measurements.

The Committee reports to the DLC BRCC.

DLC Information Technology Risk and Governance (ITRG)

The ITRG Committee reports into DLC BRCC and the DLC Audit Committee and meets quarterly, where technology, information security, cyber security and data reports are discussed and interrogated.

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

Risk Management Framework, Committees and Forums

Refer to the Risk management framework, committees and forums as contained on page 26 of this report.

What we did in 2022/23

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

Balance sheet and liquidity risk	Market risk	Reputational and legal risk
Capital adequacy	Operational risk	Climate-related and ESG risk
Credit and counterparty risk	Business risk	Regulatory risk
Investment risk	Technology, information security and cyber risk	Risk data aggregation and reporting
Current and Emerging Risks		

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

As in previous years, the Committee discharged its responsibilities as covered in the DLC BRCC terms of reference.

Recovery and resolution planning and liquidity risk

A joint UK and South African Recovery Plan simulation was held during the year. The objective of the simulation was to test the joint responses and capabilities of the organisation under simulated conditions. The simulation was conducted by assessing the organisation's joint governance responses as a Group with a unique Dual- Listed Company (DLC) structure, during a crisis.

The simulation, which was observed by the South African PA and the Prudential Regulatory Authority (PRA), focused on how various stakeholders across Investec Bank Limited, Investec Bank plc and DLC would address practicalities in relation to governance arrangements and coordination of staff, public communication, and the management of operational dependencies.

During the year the Committee reviewed and approved:

- The Investec Limited Recovery and Resolution Plan
- The Investec plc Contingency Funding and Recovery Plan (CFRP)
- The Investec plc Resolution pack
- The Investec plc Internal Liquidity Adequacy Assessment Process (ILAAP).

Furthermore, the Committee monitors liquidity and interest rate risk in the respective banking books.

During the year, all regulatory limits were comfortably met.

Capital adequacy

The Committee reviewed and approved the three year Capital plans including under various stress scenarios as well as updated macro-economic scenarios.

In South Africa the migration of the Income Producing Real Estate (IPRE) book to the Advanced Internal Rating Based (AIRB) approach, and the High Volatility Commercial Real Estate (HVCRE) to Foundation Internal Rating Based (FIRB) approach, was approved by the South African PA and became effective in January 2023.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

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

In South Africa the Board approved a proposed share purchase and a share buyback programme of up to a total of R7 billion (c.£350 million), pursuant to which Investec Limited would purchase Investec plc ordinary shares and would buy back its own shares. During 2023 R5.5 billion shares were purchased. The intention is to complete the programme by 31 March 2024.

During the year the Committee reviewed and approved:

- The Investec plc Capital Adequacy Assessment Process (ICAAP)
- The Investec Limited ICAAP
- The DLC Viability Statement.

Capital ratios have remained sound throughout the year.

Credit risk

The Committee discussed key names at each meeting considering the local and global economic environment with high inflation and high interest rates.

Despite the current macro-economic pressures, we have healthy balance sheets in both the UK and South Africa. We have and will continue to closely monitor interest rate-sensitive portfolios.

With this in mind, we have seen the credit loss ratio remain just below the cycle range at 23bps.

Investment risk

This includes listed and unlisted investments including two larger shareholdings in Ninety One and IEP.

Valuations are reviewed at each meeting.

Operational risk

The Committee continues to focus on all operational risks which includes financial crime, conduct risk, data management, external and internal fraud, legal risk, model risk, operational resilience, people risk, physical security and safety risk, processing and execution risk, regulatory compliance risk, reporting and tax risk, and third-party risk.

Given the current power and water challenges in South Africa, the Committee continues to monitor its resilience measures in these key areas. In the UK, the Committee ensured its business was tested and adequate when concerns were raised around possible power shedding.

Fraud has been a focus with fraudulent documentation and interception of client e-mails being key themes in the post-COVID-19 digital environment in which we operate.

During the year the Committee reviewed and approved:

- The Investec Limited Operational Risk Policy
- The Investec Limited Operational Risk Management Policy.

Information security and cyber risk

The Committee focused on information security and cyber risk throughout the year. Since 2015, Investec has been using Targeted Attack Simulations to understand our cyber risk exposure and adequacy of our security controls. A specialist external security firm performed the latest assessment from February 2022 to August 2022. External security specialists were also engaged to perform a technical ransomware readiness assessment. Both assessments concluded that Investec's controls were effective.

Investec's cyber posture is benchmarked by industry-recognised security scoring firms, which placed Investec above the industry average and within the leader's category group.

The Committee received regular updates on the state of the Group's data security controls, including enhanced data loss monitoring and response, and the implementation of new data leakage prevention technologies.

Technology risk

The Committee received updates on the effectiveness and adequacy of controls in mitigating IT risk.

Technology disruptions were well managed and operational processes were continually enhanced.

Sound governance processes supported value delivery through strategic IT investments and modernisation programmes.

The Committee continued to monitor the Group's strategic adoption of cloud computing services, to ensure that it remained risk appropriate and that relevant safeguards were in place.

A technology resourcing strategy has been established to foster ongoing learning, growth, and development of IT leadership capabilities.

Regulatory developments and risk

The Financial Action Task Force (FATF) issued a Mutual Evaluation Report (MER) in respect of South Africa in October 2022 to assess whether sufficient progress was made to prevent South Africa from being added to the FATF Grey List.

In February 2023, South Africa was however added to the FATF Grey List.

Enhanced due diligence is applied by the UK, Switzerland, the Channel Island and Mauritius to all new and existing clients in any transaction or business relationship with a person established in a high-risk third country, which now includes South African clients.

To date there has been no material impact on the Group. The Group continues to monitor the impact of the addition of South Africa to the EU and UK high risk country list as well as South Africa's ability to show progress on the remaining actions agreed with the FATF.

Regulatory developments in this regard and the potential impact on South Africa were monitored by the Committee during the year.

The implementation of the final phase of the Basel III post-crisis reforms, which sharpens the Credit Risk, Credit Valuation Adjustment, Market Risk (i.e., the Fundamental Review of the Trading Book), Operational Risk and Output Floor frameworks, remains a key focus and the Committee continues to be kept abreast on the effects of the proposed reforms on IBL.

In the UK, some of the Basel III standards relating to quantity and quality of capital maintained by firms, leverage and liquidity requirements have already been implemented into domestic law by virtue of the European Union (Withdrawal) Act 2018, which took effect when the UK exited the EU at the end of 2020.

At the end of November 2022, the PRA published the Basel 3.1 Consultation Paper which will implement the remaining parts of the Basel III standards in the UK. The proposals address the last element of the reforms of the measurement of RWAs. The proposals would, among other things, revise the calculation of RWAs by improving both the measurement of risk in internal models and standardised approaches, and the comparability of risk

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

measurement across firms. The revision of the calculation of RWAs stretches across all risk categories, Market Risk, Credit Risk, Credit Valuation Adjustment, Operational Risk and covers the Output floor. The bank participated in industry working groups to help shape the industry response to the Consultation Paper and responded bilaterally to the PRA. The Committee will be kept informed about the impact of the proposed rule changes.

The Committee reviewed and approved the Investec plc Pillar III and Investec Bank plc Pillar III policies and disclosures.

The Committee will closely monitor the developments relating to the Financial Sector Laws Amendment Act (FSLAA) and the Financial Sector Laws Amendment Bill (FSLAB) in South Africa, which introduces a new tranche of loss-absorbing instruments, that is subordinated to other creditors and intended for bail-in in resolution.

Climate risk

The Committee was kept updated of the improvement actions being taken from an ESG and climate risk perspective. These included sustainability workshops and assessing core loans and advances as well as reviewing the risk classification and energy exposures.

Other matters

The Committee received regular updates from the Heads of Risk on reputational matters to enable it to discuss and consider the matters and evaluate the potential risks to the Group. The Committee considered uncertain Tax and Other Legal Matters and concluded on the disclosure provided in note 53 of the Investec Group's 2023 annual financial statements.

Refer to the DLC Audit Committee report on pages 101 to 115 of this report in this regard.

2023/24 focus areas

- Focus on Technology and Innovation including cyber security
- Focus on the maturing of climate change and ESG risks
- Continued focus on Group resilience
- Monitor global headwinds such as the ongoing war in Ukraine, food shortages, inflation and supply chain interruptions
- Monitor the implications of the FATF macro-economic of South Africa and any new regulations
- Monitor emerging risks such as disruptive technologies, Generative Artificial Intelligence and blockchain
- Monitor the impact of regulatory capital reforms in the UK and South Africa.

Vote of thanks

I would like to thank the Group Chief Risk Officer and the Heads of Risk in the underlying subsidiaries for their continued commitment and focus in a highly turbulent environment. We remain vigilant, proactive and are forward looking at all times.

Olver

Vanessa Olver

Chair, DLC BRCC

27 June 2023

Annexures

03

IN THIS SECTION

ALTERNATIVE PERFORMANCE MEASURES

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

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

Adjusted earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional Tier 1 security holders Refer to page 85 of the Investec Group's 2023 annual financial statements for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders
Adjusted earnings per share	Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year Refer to page 85 of the Investec Group's 2023 annual financial statements for calculation.
Adjusted operating profit	Refer to the calculation in the table below:

£'000	31 March 2023	31 March 2022
Operating profit before goodwill, acquired intangibles and strategic actions	848 494	727 579
Loss/(Profit) attributable to other non-controlling interests	(12 566)	(40 170)
Adjusted operating profit	**835 928**	**687 409**

Adjusted operating profit per employee	Adjusted operating profit divided by average total employees including permanent and temporary employees. Refer to calculation on page 57 of the Investec Group's 2023 year-end results booklet
Annuity income	Net interest income plus net annuity fees and commissions Net interest income (page 71 and 72) plus net annuity fees and commissions (page 73) of the Investec Group's 2023 annual financial statements.
Core loans	The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans

	UK and Other		Southern Africa		Total Group	
£'million	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022	**31 March 2023**	31 March 2022
Loans and advances to customers per the balance sheet	15 568	14 426	14 343	15 135	29 911	29 561
Add: Own originated loans and advances to customers per the balance sheet	—	—	273	376	273	376
Add: ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(3)	—	—	(5)	(3)
Net core loans	**15 563**	**14 423**	**14 616**	**15 511**	**30 179**	**29 934**
of which subject to ECL*	15 012	13 814	14 541	15 431	29 553	29 245
Net core loans at amortised cost and FVOCI	15 012	13 814	13 902	14 431	28 914	28 245
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	—	—	639	1 000	639	1 000
of which FVPL (excluding fixed rate loans above)	551	609	75	80	626	689
Add: ECL	146	134	148	140	294	274
Gross core loans	**15 709**	**14 557**	**14 764**	**15 651**	**30 473**	**30 208**
of which subject to ECL*	15 158	13 948	14 689	15 571	29 847	29 519
of which FVPL (excluding fixed rate loans above)	551	609	75	80	626	689

^ These are fixed rate loans which have passed the solely payments of principal and interest (SPPI) test and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. £0.6 billion of the drawn exposure falls into Stage 1 (31 March 2022: £1.0 billion), £1 million in Stage 2 (31 March 2022: £73 million) and the remaining £44 million in Stage 3 (31 March 2022: £47 million). The ECL on the Stage 1 portfolio is £2 million (31 March 2022: £3 million), ECL on the Stage 2 portfolio is £nil (31 March 2022: £1 million) and ECL on the Stage 3 portfolio is £11 million (31 March 2022: £10 million).

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

ALTERNATIVE PERFORMANCE MEASURES
CONTINUED

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

£'000	31 March 2023	31 March 2022
Operating costs (A)	1 350 835	1 233 948
Total operating income before expected credit losses	2 280 418	1 990 355
Less: Profit/loss attributable to other non-controlling interests	(12 566)	(40 170)
Total (B)	2 267 852	1 950 185
Cost to income ratio (A/B)	**59.6%**	**63.3%**

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Dividend payout ratio	Ordinary dividend per share divided by adjusted earnings per share
Gearing ratio	Total assets excluding assurance assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net tangible asset value per share	Tangible ordinary shareholders' equity (which excludes goodwill and other acquired intangible assets) divided by the number of shares in issue Refer to calculation on page 59 of the Investec Group's 2023 year-end results booklet.
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 71 of the Investec Group's 2023 annual financial statements.
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on average ordinary shareholders' equity (ROE)	Adjusted earnings attributable to ordinary shareholders divided by average ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2023 year-end results booklet.
Return on average tangible ordinary shareholders' equity	Adjusted earnings attributable to ordinary shareholders divided by average tangible ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2023 year-end results booklet.
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pound Sterling)
Staff compensation to operating income ratio	All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests)

DEFINITIONS

Cash and near cash

Includes cash, near cash (other 'monetisable assets') and central bank cash placements and guaranteed liquidity.

Diluted earnings per share

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

Refer to page 85 of the Investec Group's 2023 annual financial statements for the calculation of diluted earnings per share.

Earnings per share

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

Refer to page 85 of the Investec Group's 2023 annual financial statements for the calculation of earnings per share.

Effective operational tax rate

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

Funds under management

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

Headline earnings per share

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

Refer to page 85 of the Investec Group's 2023 annual financial statements for the calculation of headline earnings per share.

Interest-bearing liabilities

Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, liabilities arising on securitisation of own originated loans and advances, and finance lease liabilities. Refer to page 71 of the Investec Group's 2023 annual financial statements for calculation.

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, core loans, other debt securities, other loans and advances, other securitised assets, and finance lease receivables. Refer to page 71 of the Investec Group's 2023 annual financial statements for calculation.

Legacy business in the UK Specialist Bank ('Legacy')

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

Market capitalisation

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

Net-zero

Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered.

Ninety One and Ninety One Group

All references to Ninety One and Ninety One Group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries.

Ongoing basis

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

Strategic actions

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

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet. Refer to page 59 for detail.

Subject to ECL

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

Total Group

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

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the Group less treasury shares. Refer to calculation on page 85 of the Investec Group's 2023 annual financial statements.

GLOSSARY

Abbreviation	Meaning
ADR Forum	Arrears, Default and Recovery Forum
AFS	Available for sale
AGM	Annual general meeting
AIRB	Advanced Internal Ratings-Based
ALCO	Asset and Liability Committee
AML	Anti-money laundering
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BoE	Bank of England
BOM	Bank of Mauritius
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
CAM	Combined Assurance Matrix
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Capital Conservation Buffer
CMCC	Customer Market and Conduct Committee
CCR	Counterparty credit risk
CCyB	Countercyclical Capital Buffer
CDS	Credit default swap
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CFT	Combating the financing of terrorism
COVID	Corona Virus Disease
CPD	Continued Professional Development
CPI	Consumer Price Index
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CSA	Credit Support Annex
CVA	Credit valuation adjustment
D-SIB	Domestic systemically important bank
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
DLC Remco	DLC Remuneration Committee
DLC ITRG	DLC IT Risk and Governance Committee
EBA	European Banking Authority
ECL	Expected credit loss
EP	Equator Principles
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FD	Financial Director
FDI	Foreign direct investment
FINMA	Swiss Financial Market Supervisory Authority
FIRB	Foundation Internal Ratings-Based
FLAC	Financial Loss Absorbing Capacity
FPC	Financial Policy Committee
FSCS	Financial Services Compensation Scheme
FSLAA	Financial Sector Laws Amendment Act
FSLAB	Financial Sector Laws Amendment Bill
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
Group CRO	Group Chief Risk Officer
Group CEO	Group Chief Executive Officer
Group COO	Group Chief Operating Officer
Group FD	Group Financial Director
GFSC	Guernsey Financial Services Commission
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
HQLA	High quality liquid assets
HVCRE	High Volatility Commercial Real Estate
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBL Review ERRF	IBL Review Executive Risk Review Forum
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IEP	IEP Group
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IPRE	Income Producing Real Estate
IRB	Internal Ratings-Based
IRBA	Independent Regulatory Board for Auditors
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
IW&I	Investec Wealth & Investment
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KAM	Key Audit Matters
LCR	Liquidity Coverage ratio
LGD	Loss given default
LIBOR	London Inter-bank Offered Rate
LTV	Loan-to-value
MDR	Mandatory Disclosure Rules
MER	Mutual Evaluation Report
MiFID	Markets in Financial Instruments Directive
MIVF	Mann Island Vehicle Finance
MPG	Market Practioners Group
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
NSFR	Net Stable Funding ratio
NZBA	Net-Zero Banking Alliance
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PRA	Prudential Regulation Authority
PwC Inc.	PricewaterhouseCoopers Incorporated
RMBS	Residential mortgage-backed securities

GLOSSARY
CONTINUED

RWA	Risk-weighted asset
S&P	Standard & Poor's
SA-CCR	Standardised Approach for measuring Counterparty Credit Risk
SAMLIT	South African Anti-Money Laundering Integrated Task
SARS	South African Revenue Service
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SME	Small and Medium-sized Enterprises
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
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
TNFD	Taskforce on nature-related financial disclosures
TTP	Temporary transitional powers
UK	United Kingdom
UN	United Nations
VaR	Value at Risk
ZARONIA	South African Rand Overnight Index Rate

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Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Nishlan Samujh (Group Finance Director)
Richard Wainwright (Executive Director)
Ciaran Whelan (Executive Director)

Non-Executive Directors
Philip Hourquebie (Chair)
Zarina Bassa (Senior Independent Director)
Henrietta Baldock
Stephen Koseff
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