NEDBANK PRIVATE WEALTH LIMITED

Abridged consolidated and company financial statements

For the year ended 31 December 2023

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DIRECTORS AND OFFICERS

Directors

Name		Appointed	Resigned
C Blenkinsop		14 October 2011	
S Cummins		20 March 2018	
E M Kruger	e	20 March 2018	
I Ruggiero	a,b	12 August 2015	
J R Harris	c,b	16 July 2019	
A J Corlett	a,d	17 March 2020	
J J O Wilson	b	17 March 2020	
N A Duggan	a,b	01 November 2021	

Key:

a. Member of Audit, Risk and Compliance Committee
b. Member of Remuneration Committee
c. Chairman of Audit, Risk and Compliance Committee
d. Chairman of Remuneration Committee
e. Chairman of the Board

Registered agent

ILS Fiduciaries (IOM) Limited
First Floor
Millennium House
Victoria Road
Douglas
Isle of Man
IM2 4RW

Auditors

Deloitte LLP
The Old Courthouse
Athol Street
Douglas
IM1 1LD

Registered office

St Mary's Court
20 Hill Street
Douglas
Isle of Man
IM1 1EU

DIRECTORS' REPORT

The Directors submit their report and the audited abridged consolidated financial statements for the year ended 31 December 2023.

Principal activities

Nedbank Private Wealth Limited (the "Company") and together with its subsidiaries (together the "Group") undertake the following principal activities:

The Company is a licensed bank incorporated in the Isle of Man, whose operations are regulated by the Isle of Man Financial Services Authority, Jersey Financial Services Commission, United Kingdom Financial Conduct Authority, United Kingdom Prudential Regulation Authority, the Central Bank of the United Arab Emirates and the South African Reserve Bank.

The Company carries on the business of banking in all its aspects including the management of clients' investments and the acceptance of Great Britain Pound sterling ("sterling") and foreign currency time deposits. The Company's wholly owned subsidiaries, are listed in note 5 of these financial statements. Prior to the disposal of Nedgroup Trust Limited, completed on 29 April 2022, Group activities include trustee and company administration services provided through the Company's wholly owned subsidiaries and trust subsidiaries, located in the Channel Islands. These businesses are regulated by the Jersey Financial Services Commission and Guernsey Financial Services Commission.

Disposal of Subsidiary – Prior year

On 21 December 2021, the Company entered into an agreement to sell 100% of it's shareholding in Nedgroup Trust Limited, a wholly owned subsidiary based in Guernsey. As noted above the transaction was completed on 29 April 2022. The results of Nedgroup Trust Limited and its subsidiaries for the period to that date have been included in the Prior year comparatives of these consolidated financial statements under discontinued operations (see note 10).

Results

The retained profit for the year after tax amounted to £17,286,000, all of which relates to continuing activities, (2022: £10,718,000 related to continuing activities and £14,020,000 related to the sale of the discontinued operation (note 10) and £572,000 to discontinuing activities.) £17,286,000 has been transferred to retained earnings (2022: £25,310,000).

A significant feature contributing to the increased level of retained profits from continuing activities is the interest rate environment, heavily influenced by macro-economic conditions. Starting in the prior year and continuing into 2023, inflationary pressures led to rate increases, thereby increasing net interest income and Group earnings.

Dividend

In the year under review, the Group declared and paid dividends of £9,000,000, 81.8 pence per share (2022: £7,758,290, 70.5 pence per share) during the year.

Inflation, Interest rates and risk of recession

Global geopolitical circumstances, including the Russia-Ukraine conflict, have resulted in the rise of energy and food prices in countries across the world which, when combined with supply shortages linked to recovery from the COVID-19 pandemic, significantly increased inflation during the current and prior year. In an attempt to manage the inflationary spike, central banks in the United States of America, United Kingdom and Europe significantly increased interest rates, which was a major contributing factor to the increase in both interest income and expense, with net benefit to net interest income.

Looking forward, it is possible that, following an extended period of higher inflation and interest rates, inflation may fall more quickly than expected, primarily due to energy price cuts. Spending may also reduce on many non-essential items as the public adapts to the higher cost of living, with costs disproportionately high for low to middle income earners at December 2023. The reality of fixed rate mortgage maturities may further impact free spending for a large part of the population, leading to a risk of recession in the UK through 2024. Whilst lower interest rates would reduce net interest income, the Group is well positioned to cope with such an environment, due to its' typically Higher Net Worth client base, with stress testing analysis undertaken to assess the impact on capital and liquidity through a range of economic outcomes.

DIRECTORS' REPORT (CONTINUED)

Geopolitical tensions

International concerns continue to take centre stage; with Russian occupation of East and Southern Ukraine appearing to be holding and, as times passes, a risk of weakening resolve among the EU and wider G7 support is leading to an increased risk of a permanent annexation of parts of the Ukraine. Elsewhere, tensions remain high in the South China Sea, North Korea's ambitions remain unclear and the Israel / Palestine conflict threatens to destabilise the wider Middle East, all serving to increase political and economic instability. This, in a year in which there are 40 global general elections, notably in the US, the UK and in Russia. Concerns continue to negatively impact the global economic recovery and investor sentiment, despite the waning risks of global pandemics.

As a result of the Russian invasion of Ukraine in 2022, the United States of America, the United Kingdom and the European Union amongst others, issued a wide range of sanctions against Russian institutions, companies and individuals which continued through 2023. The Directors have undertaken a risk assessment of the Group's position and evaluated its relationship with certain clients, concluding that direct exposure to Russian clients or counterparties continues to be minimal. Where indirect exposure exists, the Directors are satisfied that the risk is limited and well mitigated by risk management procedures in place such as, dealing with financial institutions of reputable standing, ongoing monitoring of counterparties by the Nedbank Sovereign and Financial Institutions Credit Unit and the regular review of the macroeconomic and microeconomic environment by the Group's Treasury Risk Asset and Liability Committee. The Group's assessment also included a review of resilience with respect to Cybersecurity threat, given the elevated risk of State sponsored attacks.

FPEP Thematic

During 2022 the Group took part in a Foreign Politically exposed persons ('FPEP') Thematic visit on the Isle of Man by the IOM Financial Services Authority ("IOMFSA") in May 2022. In advance of this the Group had self-identified required improvements with respect to FPEP procedures and controls, in line with the Group's ongoing risk and compliance roadmap, which had included an externally managed regulatory rules mapping exercise. The IOMFSA visit raised a number of areas, some of which had already been self-identified by the Group, and as a result concluded that a civil penalty was appropriate. Following a review by the Directors of all known matters, a new provision was raised in 2022 representing an estimate of the expected outflow of resources where an obligating event had been identified. A probability-weighted approach was used to assess the quantum of the provision, and address the uncertainties therein, with the assessment that the quantum of outflow of resources required to resolve this matter in full was estimated to be £1,000,000.

The civil penalty was calculated at £764,550 and during 2023 the directors agreed to an early settlement with the IOMFSA resulting in a 30% discount and a final figure of £535,000, with the remainder of the provision being released. It is important to highlight the following:

- This civil penalty was imposed due to findings from the FPEP Thematic.
- There is no suggestion by the IOMFSA that the FPEP Thematic found any evidence of money laundering or the financing of terrorism. In addition, the Company is satisfied that none of the contraventions identified resulted in customer detriment or damage to the reputation of the Island.
- The IOMFSA acknowledged the constructive dialogue between the Company and the IOMFSA which is ongoing and gives credit for those pre-identified actions agreed by the Company's management as contained in the Risk & Compliance road map.
- The Company was already undertaking a programme of work in place at the time of the visit which was shared with the IOMFSA in advance of the FPEP Thematic visit.
- It is also noted by the IOMFSA, that there were significant mitigating factors in this case. The Company committed to prompt and effective remedial action and has already taken substantial steps to address matters.

DIRECTORS' REPORT (CONTINUED)

Climate Change

The Directors consider that the Group has an important role to play in support of the Nedbank Group Limited Energy Policy in combatting climate change. The Group supports The Nedbank Climate Change Position for which the latest statement can be found here:

https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/green-and-caring/sustainability/climate-change-position-statement.html

The Directors recognise the importance of understanding the key risks and challenges posed by climate change and have taken steps to address and mitigate related risks, including the recognition of the associated Physical and Transition risks. These risks also form part of the Going Concern Assessment.

During 2023 the Directors developed and approved the Group's Climate Risk Management Framework which covers, strategic commitment, regulatory compliance, stakeholder expectations and operational resilience.

The Group also takes all reasonable steps to limit the impact of our business on the planet; by reducing its carbon footprint and acting sustainably; whilst also trying to influence others to do the same. To this end, the Group also operates an internal sustainability forum.

Wealth Management Platform

On 30 June 2023 the Group entered into an agreement with a leading wealth management technology provider to commence a programme of work to replace the Group's current wealth management platform. This programme involves capital expenditure over the next 2 years, which has been built into forecasts reviewed by the Directors as part of the going concern review.

The re-platforming exercise will bring significant business benefits but the Directors recognise that such programmes carry some delivery risk. This has been assessed and is mitigated through a project Steering Committee with risk oversight via the Groups Enterprise Risk Management Committee.

Corporate e-gaming clients

The Group has a long history of providing wealth management, investment advice and private banking services to private clients and their families, the Group has also provided some commercial banking services to a number of firms within the e-Gaming sector.

During the year the Group completed a review of its growth strategy and made the decision to focus on core private client investment and wealth management services, as the Group continues to build on key strengths and further develop its client offering. This focus aims to be particularly helpful as the Group begin the substantial investment into the new wealth management platform. As a result the Directors approved a strategic initiative to cease the provision of commercial banking and payment services to the e-gaming sector.

From May 2023, the Group provided notice to clients to this effect. In doing so, the Group has worked with and ensured that the Isle of Man Government Department of Enterprise, Isle of Man Gambling Supervision Commission and the Isle of Man Financial Services Authority were kept informed of the decision. The Group has worked alongside its corporate e-gaming clients throughout the period, to support smooth transitions to alternative banking providers.

The decision to cease providing banking services to the corporate e-gaming sector saw known outflows of client deposits prior to 31 December 2023. The Group had ample liquidity to absorb these strategic outflows and will now exercise increased focus on its core private client business segment.

DIRECTORS' REPORT (CONTINUED)

Post Brexit response and considerations

The Group is an active member of UK Finance, the leading financial services industry body in the UK and uses that association, alongside other sources, to remain abreast of industry developments, including geopolitical changes. These are factored into the company's annual Internal Capital Adequacy Assessment Process and Going Concern review. The Group has previously reviewed its operations in each jurisdiction in which it is based and has satisfied itself that its model remains appropriate in the post-Brexit era. There is no evidence of adverse trends regarding business flows or the quality of client asset book since the cessation of the Brexit transition period on 31 December 2020.

Going concern

The Directors are of the opinion that the use of the going concern basis of accounting is appropriate because there are no known material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern. The Group is not dependent on external finance and projected cash flows indicate adequate financial resources to meet liabilities as they fall due.

The Directors' assessment of adopting the going concern basis of accounting took into account both current performance and the Group's outlook, which included considerations on potential impact of each of the matters referred to above, impact of bank failures, and the economic pressures of the continuing geopolitical tension on the Group's capital and funding position as well as the Group's operational resilience. As part of this assessment, the Board considered a variety of scenarios, taking into account:

- the possible impacts on profit due to recent and forecast interest and inflation rate changes, movements in customer deposits and loan balances, potential reductions in revenues derived from assets under management and administration during highly stressed and falling markets, and potential increases in loan loss provisions arising from stressed collateral values during volatile economic periods;

- the sufficiency of the Group's capital base throughout the going concern period, including by reference to the results of stress testing which is performed as an integral part of the ICAAP;

- the adequacy of the Group's liquidity;

- the status of the parent Nedbank Group and the financial and operational linkages that exist with the Group given current exposures to the parent and ability to request for parental financial support; and

- the operational resilience of the Group's priority business functions, dependencies on suppliers, and the ability to provide continuity of service to its customers.

Based on the current financial forecasts and stress test analysis, the Group's capital, funding, and operational capabilities support the Board's assessment that they have a reasonable expectation that the continuing activities of the Group will continue in operational existence for the foreseeable future.

DIRECTORS' REPORT (CONTINUED)

Auditor retirement due to mandatory rotation at Nedbank Group

In accordance with the rule issued by the Independent Regulatory Board for Auditors (IRBA) in South Africa, our current statutory auditor, Deloitte LLP, is retiring from their position due to mandatory rotation requirements at a Nedbank Group level in South Africa. The Nedbank Group auditor has served for the maximum permissible term of five consecutive years.

The Directors express their gratitude to Deloitte LLP for their diligent service during their tenure. Following a detailed selection process the Board has agreed to appoint KPMG on retirement of Deloitte LLP to ensure continuity and independence in our financial reporting. The transition to the new auditor will be closely monitored, and we remain committed to maintaining the high standards of financial transparency and accountability.

Directors

The present Board and those Directors who served during the year are shown on page 1.

On behalf of the Board

Director

St Mary's Court
20 Hill Street
Douglas
Isle of Man
IM1 1EU

REPORT OF THE INDEPENDENT AUDITOR ON THE ABRIDGED FINANCIAL STATEMENTS TO THE MEMBER OF NEDBANK PRIVATE WEALTH LIMITED

OPINION

The abridged financial statements, which comprise the abridged consolidated statement of financial position and the abridged company statement of financial position as at 31 December 2023, and related notes, are derived from the audited financial statements of Nedbank Private Wealth Limited for the year ended 31 December 2023.

In our opinion the abridged financial statements are consistent, in all material respects with the audited financial statements in accordance with rule 2.22(4) of the Isle of Man Financial Services Rulebook.

ABRIDGED FINANCIAL STATEMENTS

The abridged financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abridged financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The abridged financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified opinion on the audited financial statements in our report dated 22 March 2024.

DIRECTORS' RESPONSIBILITY FOR THE ABRIDGED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the abridged financial statements in accordance with rule 2.22(4) of the Isle of Man Financial Services Rulebook.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the abridged financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements issued by the International Auditing and Assurance Standards Board (IAASB).

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Section 2.22 of the Isle of Man Financial Services Rulebook. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report on the abridged financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Douglas, Isle of Man
22 March 2024

Notes:

(a) The maintenance and integrity of the Nedbank Private Wealth Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the abridged financial statements since they were initially presented on the website.

(b) Legislation in the Isle of Man governing the preparation and dissemination of abridged financial statements may differ from legislation in other jurisdictions.

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Assets			
Cash and cash equivalents		**29,929**	60,642
Government treasury bills		**301,609**	257,643
Certificates of deposit		**412,633**	639,040
Floating rate notes		**256,186**	215,497
Loans and advances to other banks		**85,063**	73,329
Loans and advances to related parties		**70,602**	85,100
Derivatives and forward exchange contracts		**5,260**	7,953
Loans and advances to customers		**325,704**	378,786
Accrued interest receivable		**12,363**	6,673
Other assets		**10,363**	7,497
Deferred tax assets		**-**	2
Investments		**672**	3,714
Property and equipment		**236**	290
Intangible assets		**807**	-
Right of use asset		**4,830**	5,380
Pension scheme asset		**1,145**	369
Total assets		**1,517,402**	1,741,915
Liabilities			
Derivatives and forward exchange contracts		**1,313**	1,959
Deposits from customers		**1,356,084**	1,599,343
Deposits from related parties		**3,468**	3,194
Accrued interest payable		**4,245**	2,036
Other liabilities		**17,766**	10,426
Current tax liability		**1,523**	994
Deferred tax liability		**109**	11
Provisions	8	**367**	1,068
Right of use lease liability	3	**5,678**	6,080
Total liabilities		**1,390,553**	1,625,111
Shareholder's equity			
Issued capital	4	**11,000**	11,000
Fair value reserve		**624**	2,160
Retained earnings		**115,225**	103,644
Total shareholder's equity		**126,849**	116,804
Total liabilities and shareholder's equity		**1,517,402**	1,741,915

The notes on pages 10 to 15 form part of the financial statements.

These financial statements were approved by the Board of Directors on 21 March 2024 and were signed on their behalf by:

Director

Craig Blenkinsop

22/3/24

Director

Stuart Cummins 22/3/24

ABRIDGED COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Assets			
Cash and cash equivalents		**29,929**	60,642
Government treasury bills		**301,609**	257,643
Certificates of deposit		**412,633**	639,040
Floating rate notes		**256,186**	215,497
Loans and advances to other banks		**85,063**	73,329
Loans and advances to related parties		**70,602**	85,100
Derivatives and forward exchange contracts		**5,260**	7,953
Loans and advances to customers		**325,704**	378,786
Accrued interest receivable		**12,363**	6,673
Other assets		**10,363**	7,497
Deferred tax assets		**-**	2
Investments		**672**	3,714
Investments in subsidiaries	5	**4**	4
Property and equipment		**236**	290
Intangible assets		**807**	-
Right of use asset		**4,830**	5,380
Pension scheme asset		**1,145**	369
Total assets		**1,517,406**	1,741,919
Liabilities			
Derivatives and forward exchange contracts		**1,313**	1,959
Deposits from customers		**1,356,084**	1,599,343
Deposits from related parties		**3,468**	3,194
Due to subsidiary companies		**4**	4
Accrued interest payable		**4,245**	2,036
Other liabilities		**17,766**	10,426
Current tax liability		**1,523**	994
Deferred tax liability		**109**	11
Provisions	8	**367**	1,068
Right of use lease liability	3	**5,678**	6,080
Total liabilities		**1,390,557**	1,625,115
Shareholder's equity			
Issued capital	4	**11,000**	11,000
Fair value reserve		**624**	2,160
Retained earnings		**115,225**	103,644
Total shareholder's equity		**126,849**	116,804
Total liabilities and shareholder's equity		**1,517,406**	1,741,919

The notes on pages 10 to 15 form part of the financial statements.

These financial statements were approved by the Board of Directors on 21 March 2024 and were signed on their behalf by:

Director

Craig Blenkinsop

22/3/24

Director

Stuart Cummins

22/3/24

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

1 Basis of preparation

These abridged financial statements are derived from the audited annual financial statements of the Group and Parent Company for the year ended 31 December 2023, been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC).

2 Accounting policies

These abridged financial statements incorporate accounting policies that are consistent with those adopted in the Group and Parent Company financial statements for the year ended 31 December 2023 and with those of previous years.

2.1 Changes in accounting policies

There are no changes in accounting policies effective from 1st January 2023 which have a material impact on these abridged financial statements.

3 Commitments (Group and Company)

There were no capital commitments at 31 December 2023 (2022: £nil). There are commitments outstanding that have been entered into during the normal course of business. These comprise unutilised client loan facilities of £10,585,000 (2022: £7,658,000).

The Group has not issued any guarantees during the year (2022: £nil).

Lease liabilities reconciliation

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Balance as at 1 January 2023	**6,080**	6,615	**6,080**	6,615
Interest expense	**218**	232	**218**	232
Acquisitions	**95**	-	**95**	-
Derecognition	-	-	-	-
Lease modifications	-	-	-	-
Lease payments	**(715)**	(767)	**(715)**	(767)
Effects of movements in foreign exchange and other movements	-	-	-	-
Balance as at 31 December 2023	**5,678**	6,080	**5,678**	6,080

Lease liabilities: Current vs Non-Current

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Current	**816**	762	**816**	762
Non-current	**4,862**	5,318	**4,862**	5,318
Total	**5,678**	6,080	**5,678**	6,080

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

4 Share capital

	Issued and fully paid	
	2023 £'000	2022 £'000
11,000,000 Authorised ordinary equity shares of £1 each	**11,000**	11,000

The Company has one class of ordinary shares which carry no right to fixed income.

5 Subsidiary undertakings

Name	Activity	Holding	Place of incorporation	Cost £'000 2023	Cost £'000 2022
Nedgroup Trust Limited (Note 10) (Disposed on 29 April 2022)	Trust	100%	Guernsey	**-**	-
Nedgroup Private Wealth Nominees (Jersey) Limited	Nominee	100%	Jersey	**-**	-
Nedgroup Private Wealth Nominees (IOM) Limited	Nominee	100%	Isle of Man	**2**	2
Nedgroup Private Wealth Nominees (UK) Limited	Nominee	100%	Isle of Man	**2**	2
NPW Pension Trustees Limited	Pension Trustee	100%	Isle of Man	**-**	-
				4	4

6 Ultimate holding company and controlling party

As at 31 December 2023 Nedbank Private Wealth Limited was a wholly-owned subsidiary of Nedgroup International Holdings Limited which is incorporated in the Isle of Man. The controlling party of Nedbank Private Wealth Limited is Nedbank Group Limited.

7 Contingent liability

Claims in the Normal Course of Business

During the normal course of business the Group occasionally receives claims related to services which have been provided. All claims have been provided for where the Company anticipate that a payment is probable, based on individual circumstances and evidence provided.

Depositors' Compensation Scheme

The Company is licensed by the Isle of Man Financial Services Authority ("IOMFSA") to conduct deposit-taking activities. All retail deposit-taking institutions in the Isle of Man are members of the statutory Isle of Man Depositors' Compensation Scheme under the Depositors' Compensation Scheme Regulations 2010.

The Scheme provides compensation to a maximum of 100% of the first £50,000 or currency equivalent of individual depositors and £20,000 in any other case, subject to a maximum of £100,000,000 from the Treasury and £100,000,000 from all participants, in the event of the failure of a participant institution to meet its obligations to depositors.

Such a failure triggers the payment of a levy by each participant calculated at 0.175% of average deposit liabilities over such period preceding the levying of the contribution as deemed appropriate by the Scheme Manager, with a minimum annual contribution of £50,000 and a maximum annual contribution of £500,000. During the year the Company paid contributions of £nil (2022: £nil) to the Scheme.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

7 Contingent liability (continued)

Depositors' Compensation Scheme (continued)

The Jersey branch operation of the Company is licensed by the JFSC to conduct deposit-taking activities. All retail deposit-taking institutions in Jersey are members of the statutory Jersey Depositors' Compensation Scheme under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009.

The Jersey Scheme provides compensation to a maximum of 100% of the first £50,000 or currency equivalent of individual depositors, subject to a maximum of £100,000,000 in any five year period. During the year the Company paid contributions of £nil (2022: £nil) to the Scheme.

The London branch operation is licenced by the UKFCA, and therefore participates in the Financial Services Compensation Scheme ('FSCS'). The FSCS has provided compensation to consumers following the collapse of a number of deposit takers. The compensation paid out to consumers is currently funded through loans from the Bank of England and HM Treasury. In order to repay the loan principal that is not expected to be recovered, the FSCS levies participating financial institutions.

In 2022 the Bank paid contributions of £87,699 (2022: £123,653) to the FSCS. The bank could be liable to pay a further proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury. The ultimate FSCS levy to the industry as a result of the collapses cannot currently be estimated reliably as it is dependent on various uncertain factors including the potential recoveries of assets by the FSCS and changes in the level of protected deposits and the population of FSCS members at the time.

8 Provisions

	Group		Company	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Opening balance	**1,068**	68	**1,068**	68
Utilised in the year	**(535)**	-	**(535)**	-
Released in the year	**(533)**	-	**(533)**	-
Legal provision	**367**	1,000	**367**	1,000
Closing balance	**367**	1,068	**367**	1,068

The Company strives to operate to the highest of standards, undertaking remedial actions to address any relevant self or externally identified matters brought to the attention of management. The financial services industry is a highly regulated environment, and such actions include those to ensure compliance with the regulations of all jurisdictions in which the Company operates.

During 2022 the Group took part in a Foreign Politically Exposed Persons ('FPEP') Thematic visit on the Isle of Man by the Isle of Man Financial Services Authority ("IOMFSA") in May 2022. In advance of this the Group had self-identified required improvements with respect to FPEP procedures and controls, in line with the Group's ongoing risk and compliance roadmap, which had included an externally managed regulatory rules mapping exercise. The IOMFSA visit raised a number of areas, some of which had already been self-identified by the Group, and as a result concluded that a civil penalty was appropriate. Following a review by the Directors of all known matters, a new provision was raised in 2022 representing an estimate of the expected outflow of resources where an obligating event had been identified. A probability-weighted approach was used to assess the quantum of the provision, and address the uncertainties therein, with the assessment that the quantum of outflow of resources required to resolve this matter in full was estimated to be £1,000,000.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

8 **Provisions (continued)**

The Civil Penalty was calculated at £764,550 and during 2023 the directors agreed to an early settlement with the IOMFSA resulting in a 30% discount and a final figure of £535,000, with the remainder of the provision released. It is important to highlight the following:

- This civil penalty was imposed due to findings from the FPEP Thematic.
- The IOMFSA acknowledged the constructive dialogue between NPW and the IOMFSA which is ongoing and gives credit for those pre-identified actions agreed by the Company's management as contained in the Risk & Compliance road map.
- The Company was already undertaking a programme of work in place at the time of the visit which was shared with the IOMFSA in advance of the FPEP Thematic visit.
- There is no suggestion by the IOMFSA that the FPEP Thematic found any evidence of money laundering or the financing of terrorism. In addition, the Company is satisfied none of the contraventions identified resulted in customer detriment or damage to the reputation of the Island.
- It is also noted by the IOMFSA, that there were significant mitigating factors in this case. The Company committed to prompt and effective remedial action and has already taken substantial steps to address matters.

Further information in regards to the IOMFSA's findings and Civil Penalty can be found at:
https://www.iomfsa.im/fsa-news/2023/dec/public-statement-concerning-the-imposition-of-a-civil-penalty-under-the-anti-money-laundering-countering-the-financing-of-terrorism-civil-penalties-regulations-2019-in-respect-of-nedbank-private-wealth-limited/

The Share purchase agreement entered into by the Group on 21 December 2021 to sell Nedgroup Trust limited (note 10), contained certain warranties which are subject to "run-off" Insurance provisions. Included within these was a warranty in respect of any losses (excluding reputational loss and including indirect or consequential losses only to the extent that it results in loss of profit) that may be incurred by the acquirer relating to specific outstanding matters at the time of sale.

During 2023 the acquiring party was subject to a Court judgement and ordered to pay the costs incurred by a beneficiary in relation to a legal matter under the specific outstanding matters above. The acquirer is seeking to recover these costs from the Group under the warranties within the Share purchase agreement. The Group will seek to recover any costs incurred through run-off insurance.

Following a review by the directors of all known matters in relation to the warranties claim, a new provision of £367,000 has been raised representing an estimate of the expected outflow of resources where an obligating event has been identified. A probability-weighted approach has been used to assess the quantum of the provision, and address the uncertainties therein. Although the Group believe that it is probable the full costs of settlement will be recovered through run-off insurance, due to the timing and uncertainly of the future claim, no asset has been recognised in these financial statements. The claim has been advised to the insurers, who are not yet in a position to make a full assessment, given the current stage in the legal process.

2022 included a provision of £68,000 regarding VAT on investment management services, this matter was resolved during 2023 and the provision released.

9 **Audited Financial Statements**

A copy of the audited financial statements of Nedbank Private Wealth Limited for the year ended 31 December 2023 is available on request at the Company's registered office.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

10 Discontinued Operations

On 21 December 2021, Nedbank Private Wealth Limited entered into an agreement to sell 100% of it's shareholding in Nedgroup Trust Limited, a wholly owned subsidiary based in Guernsey. The transaction was completed on 29 April 2022. Nedgroup Trust Limited was accordingly designated as a discontinued operation until the completion of the disposal. The profit from discontinued operations, is the profit generated by Nedgroup Trust Limited for the period to 29 April 2022.

Nedgroup Trust Limited Statement of Profit and Loss

	2022* £'000
Interest income calculated using the effective interest method	-
Fee and commission income	3,043
Total income	3,043
General administrative expenses	(2,408)
Profit before tax	635
Income tax expense	(63)
Profit from discontinued operations, net of tax for the year	572

* For the period to 29 April 2022

Nedgroup Trust Limited Extract of Statement of Financial Position

	2022** £'000
Assets	
Cash and cash equivalents	2,696
Other assets	4,489
Property and equipment	471
Right of use asset	1,344
Assets of discontinued operations held for sale	9,000
Liabilities	
Other Liabilities	2,219
Current tax liability	55
Right of use lease liability	1,421
Liabilities of discontinued operations	3,695

**As at 29 April 2022 date of disposal

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2023)

10 Discontinued Operations (continued)

Proceeds from sale of Nedgroup Trust Limited

	Group 2022 £'000	Company 2022 £'000
Cash Proceeds from Sale	19,873	19,873
Transaction costs	(548)	(548)
Recognition of inter-group cash	-	960
Proceeds from sale	19,325	20,285
Less recognition of inter-group cash	-	(960)
Net assets of subsidiary at disposal	(5,305)	-
Investment in subsidiary at disposal	-	(5,000)
Net proceeds from sale	14,020	14,325

11 Pillar 2 taxation

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 model rules. On 19 May 2023, the governments of Guernsey, Jersey and the Isle of Man (the jurisdiction in which the company is incorporated) announced a joint approach to the OECD's Pillar 2 framework. The intention is that this approach will comprise the implementation of an 'Income Inclusion Rule (IIR)' and a domestic minimum tax to provide for a 15% effective tax rate for large in-scope multinational enterprises, with effect from 1 January 2025.

The Isle of Man budget of 20 February 2024 subsequently introduced a change regarding the taxation of banks in the Isle of Man. For the 2024/25 year of assessment only, the 10% rate of tax is to be increased to 15% for banks:

- that are part of groups that are in scope of Pillar 2 Global Minimum Tax; and
- that have an ultimate (or intermediate) parent entity located in a jurisdiction that has implemented a Pillar 2 IIR for accounting periods commencing on or after a date no later than 1 January 2024.

The change does not impact any profits taxable at the 0% rate under the current '0/10' regime.

As part of the South African National Budget for 2024/2025, unveiled on 21 February 2024, the South Africa National Treasury announced their intention to apply Pillar 2 legislation with effect from 1 January 2024. As South Africa is the jurisdiction in which the ultimate controlling party is incorporated, this has the effect of bringing the Group into the scope of the changes announced by the Isle of Man, increasing its effective tax rate to 15% for profits currently taxed at 10% under the 0/10 regime. Where the legislation applies in subsidiary locations (Jersey and the United Kingdom) the group is liable to pay a top-up tax for the difference between its' effective tax rate per jurisdiction and the 15% minimum rate.

Based on an assessment of the current rules and historical periods these changes are estimated to; increase the effective tax rate of the company in the Isle of Man to 13.5% for 2024, and then 15% from 1 January 2025; increase the effective tax rate in Jersey to 15% from 1 January 2024; and have no effect on the effective tax rate in the United Kingdom as that rate already exceeds 15%. This increase to the Groups taxation expense does not have a material effect on the going-concern assessment. The Group will continue to review this position across all jurisdictions in which the Group operates as additional legislation and guidance is issued regarding the application of these rules.