OUT OF THE ORDINARY

Investec

Investec Bank (Channel Islands) Limited

Annual Report and Audited Financial Statements
31 March 2021

Company Registration Number: 5845

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Company Summary

Company Summary
for the year ended 31 March 2021

Directors:	I Wohlman (Chairman) K Allen (Resigned 17 March 2021) B Stewart R Le Roux (Resigned 30 June 2020) G Malcolm (Appointed 30 June 2020) N Leale (Appointed 15 April 2021) S Platts (Non-Executive) P Stevens (Non-Executive) F Carvill (Non-Executive)
Auditors:	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey
Registered Office:	Glategny Court Glategny Esplanade St Peter Port Guernsey Telephone: (01481) 723506

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Reports

REPORT OF THE DIRECTORS

The Directors of Investec Bank (Channel Islands) Limited (the "Company") submit their report and the audited Financial Statements of the Company for the year ended 31 March 2021.

Principal activities
The Company carries on the business of banking and related financial services. The Company has assets under administration amounting to approximately £466m (2020: £364m) which are not included in the financial statements.

Accounting framework
The Company adopts FRS 101 Reduced Disclosure Framework.

Results
The results of the Company are shown in the Statement of Comprehensive Income on page 9.

Dividend
Dividends totalling £8.0m (2020: £12.0m) were paid during the year.

Directors
The Directors of the Company during the year and to the date of this report are as stated on page 3.

Statement of Directors' responsibilities
The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting practices.

Guernsey Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. They also confirm that so far as they are aware, there is no material relevant audit information of which the Company's auditors are unaware and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Companies (Guernsey) Law, 2008. The Directors also have additional responsibilities as the Company is a Designated Person under the Protection of Investors (Bailiwick of Guernsey) Law 1987, and The Licences (Conduct of Business) Rules 2016. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern
The Directors have undertaken a review to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements. This review involved the preparation of detailed forecasts of the profitability, cash position and regulatory capital position of the company up until 30 June 2022. These forecasts take into account the current operating environment and economic conditions, including the expected impact of the COVID-19 pandemic, and have been stress tested for the potential further adverse impact on trading performance that could result from COVID-19 or other circumstances beyond those expected.

Details of the company's liquidity and financial risk management procedures are set out in note 4 to the financial statements. After taking into account the results of the review set out above, the Directors consider that the company is adequately positioned to successfully manage the risks faced. The Directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Auditors
A resolution to reappoint Ernst & Young LLP as auditors was agreed at the Board meeting held on 23 June 2021.

By order of the Board

DIRECTORS

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC BANK (CHANNEL ISLANDS) LIMITED

Opinion
We have audited the financial statements of Investec Bank (Channel Islands) Limited ("the Bank") for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 40, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2021 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 101 "The Financial Reporting Standards" applicable in UK and Ireland ; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report below. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the bank's ability to continue as a going concern for a period up until 30 June 2022.

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

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Matters for which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Bank or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit;

Responsibilities of directors
As explained more fully in the Statement of Directors' responsibilities set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF INVESTEC BANK (CHANNEL ISLANDS) LIMITED
CONTINUED

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

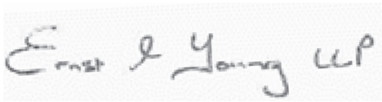
Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the bank and determined that the most significant are those that relate to the reporting framework (FRS 101 “Reduced Disclosure Framework, The Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987) and the relevant direct tax compliance regulation in the Bailiwick of Guernsey;

- We understood how the bank is complying with those frameworks by making enquiries of management and those responsible for compliance matters and corroborated this by reviewing supporting documentation. We also reviewed correspondence between the bank and the Guernsey Financial Services Commission, reviewed minutes of the Board and gained an understanding of the bank’s approach to governance demonstrated by the Board’s approval of the bank’s Governance and the Board’s review of the key risk profile and internal control processes;
- We assessed the susceptibility of the bank’s financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming interest income relating to the effective interest rate method to be a fraud risk. We considered the controls of the bank has established to address risks identified by the directors or that otherwise seek to prevent, deter or detect fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perceptions of stakeholders;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of Board minutes, complaints register, compliance reports, internal audit reports, inquiries of internal legal counsel, those charged with governance, executive management, compliance and performance of journal entry testing meeting our defined risk criteria and our understanding of the business; and
- The bank operates in the regulated banking industry. As such the Audit Partner considered the experience and expertise of engagement team to ensure that the team had the appropriate competence and capabilities, which included use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at
https://www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor’s report.

Use of our report
This report is made solely to the Bank’s members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Bank’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank’s members as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP,
Guernsey, Channel Islands

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Financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Interest receivable	5	36 995 891	52 249,945
Interest payable	6	(7 163 146)	(14 745 905)
Net interest income		**29 832 745**	**37 504 040**
Fees and commission receivable	7	4 986 413	5 388 486
Fees and commission payable	7	(264 101)	(275 570)
Net fees and commission income		**4 722 312**	**5 112 916**
Other operating income	8	605 130	610 449
Expected credit impairment release/(losses)	9	319 063	(1 901 672)
Loss on disposal of tangible fixed asset		(3 896)	–
Net (loss)/gain from financial instruments at fair value through profit or loss		(265 940)	374 725
Net operating income		**35 209 414**	**41 700 458**
Administrative expenses	10	(19 054 527)	(17 717 387)
Depreciation and amortisation	19, 20	(1 513 178)	(1 558 907)
Profit on ordinary activities before taxation		**14 641 709**	**22 424 164**
Tax on profit on ordinary activities	11	(1 287 258)	(2 088 350)
Profit for the financial year		**13 354 451**	**20 335 814**
Other comprehensive income			
Items that will be reclassified to the income statement			
Fair value (loss)/gain on debt instruments at fair value through other comprehensive income		(1 001 662)	1 111 597
Share options exercised		65 225	–
Share options granted on restructure of parent company		–	(114 040)
Profit for the financial year		**12 418 014**	**21 333 371**

All of the items in the above Statement of Comprehensive Income are derived from continuing operations.

The notes on pages 12 to 42 form an integral part of these financial statements.

BALANCE SHEET AT 31 MARCH 2021

	Notes	2021 £	2020 £
Assets			
Loans and advances to banks	12	590 933 238	578 045 786
Debt instruments at fair value through other comprehensive income	13	566 237 124	544 404 420
Financial assets at fair value through profit or loss	16	1 111 229	1 355 860
Loans and advances to customers	14	975 202 358	941 284 340
Derivative financial instruments	15	1 269 881	5 206 202
Investment in subsidiary company	17	100 000	100 000
Intangible fixed assets	19	467 465	663 938
Tangible fixed assets and right of use assets	20	9 348 274	9 946 446
Prepayments and accrued income	21	907 418	1 149 579
Deferred taxation assets	11	485 950	485 950
Other assets	22	5 556 999	1 461 476
Total assets		**2 151 619 936**	**2 084 103 997**
Liabilities			
Deposits by banks	23	20 192 374	16 488 223
Customer accounts	24	1 947 289 640	1 883 655 353
Derivative financial instruments	15	2 016 695	6 368 094
Current taxation liabilities		1 230 262	2 266 029
Other liabilities	25	14 007 176	12 817 277
Subordinated liabilities	26	25 266 937	25 307 209
Total liabilities		**2 010 003 084**	**1 946 902 185**
Equity			
Called up share capital	27	14 652 339	14 652 339
Share premium account	28	20 347 661	20 347 661
Retained earnings		102 506 641	97 089 939
Share based payment reserve	28	3 961 083	3 961 083
Fair value reserve	28	149 128	1 150 790
Total equity		**141 616 852**	**137 201 812**
Total liabilities and equity		**2 151 619 936**	**2 084 103 997**

The financial statements on pages 9 to 42 were approved and authorised for issue by the Board of Directors on 23 June 2021 and are signed on its behalf by:

(Director) (Director)

The notes on pages 12 to 42 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Share premium £	Share based payment reserve £	Fair value reserve £	Retained earnings £	Total £
Balance at 31 March 2019		14 652 339	20 347 661	3 485 150	41 011	88 868 165	127 394 326
Profit for the financial year		–	–	–	–	20 335 814	20 335 814
Movement in value of assets measured at FVOCI		–	–	–	1 111 597	–	1 111 597
Total comprehensive income for the year		–	–	–	1 111 597	20 335 814	21 447 411
Dividend paid	29	–	–	–	–	(12 000 000)	(12 000 000)
Movement of IFRS 9 ECLs measured at FVOCI		–	–	–	(1 818)	–	(1 818)
Share options granted on restructure of parent company		–	–	–	–	(114 040)	(114 040)
Share based payments adjustment		–	–	–	–	–	475 933
Balance at 31 March 2020		**14 652 339**	**20 347 661**	**3 961 083**	**1 150 790**	**97 089 939**	**137 201 812**
Profit for the financial year		–	–	–	–	13 354 451	13 354 451
Net amount reclassified to the income statement on disposal of debt instruments at FVOCI		–	–	–	2 974	(2 974)	–
Movement in value of assets measured at FVOCI		–	–	–	(1 004 636)	–	(1 004 636)
Total comprehensive income for the year		–	–	–	(1 001 662)	13 351 477	12 349 815
Dividend paid	29	–	–	–	–	(8 000 000)	(8 000 000)
Share options exercised in the year		–	–	–	–	65 225	65 225
Balance at 31 March 2021		**14 652 339**	**20 347 661**	**3 961 083**	**149 128**	**102 506 641**	**141 616 852**

The notes on pages 12 to 42 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Corporate information

Investec Bank (Channel Islands) Limited (the "Company") is a company incorporated and domiciled in Guernsey Channel Islands.

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with The Banking Supervision (Bailiwick of Guernsey) Law, 1994.

The Company is a wholly owned subsidiary company and the consolidated financial statements of Investec Bank PLC ("the Group") in which the Company is included are publicly available. Further details can be found in Note 39.

3 Summary of significant accounting policies

3.1 Basis of preparation

These accounts are prepared under UK Accounting Standards FRS 101 for all periods presented. The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS7 Statement of Cash Flows;
(b) the requirements of paragraphs 30 and 31 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose the nature and impact of IFRSs that have been issued but are not yet effective;
(c) the requirements of paragraph 17 of IAS24 Related Party Disclosures to disclose key management personnel compensation;
(d) the requirements in IAS24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(e) the requirement in paragraph 38 of IAS1 Presentation of Financial Statements to present comparative information in respect of:
  (i) paragraph 73(e) of IAS16 Property, Plant and Equipment;
  (ii) paragraph 118(e) of IAS38 Intangible Assets;
(f) the requirements of paragraphs 10(d) and 10(f) of IAS1 Presentation of Financial Statements.

These separate financial statements of the Company, which present information about the Company as an individual undertaking, are prepared under both the going concern basis and the historical cost basis, except for debt securities, derivative financial instruments and financial assets measured at fair value through profit or loss which are measured at fair value.

The Directors consider the use of the going concern basis of accounting as appropriate, more details are included in the Report of the Directors.

3.2 Changes in accounting policies and disclosures

3.2.1 New and amended standards and interpretations

The Company has not applied any new accounting standards in these financial statements. Several amendments and interpretations apply for the first time to accounting periods beginning on or after 1 January 2020, but do not have an impact on the Company's financial statements. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

3.3 Foreign currency transactions

The presentation and functional currency of the Company is Sterling.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to the Statement of Comprehensive Income.

3.4 Investment in subsidiary

Subsidiaries are held for the long term and are held at cost less any applicable provision for impairment. Impairment losses are recognised as an expense in the Statement of Comprehensive Income in the period in which they are identified.

Realised gains and losses on the sale of investments in subsidiaries are reflected in Statement of Comprehensive Income.

3.5 Tangible fixed and intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 **Summary of significant accounting policies** (continued)

3.5 Tangible fixed and intangible assets (continued)

Depreciation is provided on all property, plant and equipment, and amortisation on intangible assets, on a straight-line basis over its expected useful life as stated below.

	Useful life	
	years	**%**
Leasehold improvements	10	10%
Office equipment - furniture and fittings	3-5	20% - 33%
Office equipment - general	5-6	15% - 20%
Office equipment - computer equipment	3	33%
Intangible assets	3	33%

In the event that the remaining lease period when a leasehold improvement is made is less than 10 years, the useful life of the new asset is reduced to the lease period so that the leasehold improvement asset is fully depreciated by the end of the lease.

3.5.1 Right of use assets

The Company recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any depreciation and impairment losses, and adjusted for a remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the lease term.

Right of use assets are subject to impairment in line with the Bank's policy as described in Note 3.6.

3.6 Impairment of non-financial assets

The Company assesses the impairment of non-financial assets at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised as an expense in the Statement of Comprehensive Income in the period in which they are identified.

3.7 Share-based payments (Equity settled transactions)

The Company operates share option and share purchase schemes for employees, on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing staff to share in the risks and rewards of the Company.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest or in the case of an instrument subject to market conditions, be treated as vesting as described above. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Statement of Comprehensive Income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.8 Revenue recognition

3.8.1 Interest income

Under IFRS9, interest income is recognised in the Statement of Comprehensive Income using the effective interest method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS9 are also recorded by using the EIR method.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 4.1) and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial assets cures (as outlined in Note 4.1) and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

3.8.2 Fee and commission income

Fee and commission income includes fees earned from foreign exchange, credit related fees, bank charges and custodian services. All such commissions and fees are recognised as revenue when the related services are performed.

Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act.

The effective interest yield calculation is based on the estimated cash flows of the underlying instrument. Where this is not readily available, the contractual cash flows is used.

3.8.3 Rental income

Rental income arising from operating leases on properties with other group entities is recognised on a straight line basis over the term of the lease.

3.9 Financial Instruments - Initial Recognition

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.9.1 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The Company classifies and measures its derivative portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

3.9.2 Financial assets and liabilities

3.9.2.1 Loans and advances to banks and Loans and advances to customers

The Company only measures Loans and advances to banks and Loans and advances to customers at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.9.2.1 Loans and advances to banks and Loans and advances to customers (continued)

The SPPI test
As a second step of its classification process the Company assesses the contractual terms of a financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.9.2.2 Derivatives financial instruments
Derivatives include forward foreign exchange contracts and interest rate swaps.

All derivative instruments of the Company are initially recorded and re-measured on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Forward foreign exchange contracts are valued using appropriate valuation techniques applying a comparison to similar instruments for which observable market prices exist. Gains and losses are recognised in the profit and loss account.

Changes in the fair value of derivatives held for trading are included in other operating income.

3.9.2.3 Debt instruments at FVOCI
The Company applies the category under IFRS9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

3.9.2.4 Subordinated debt
After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost (see Note 26).

3.9.2.5 Financial assets at fair value through profit or loss
Financial assets in this category are those that are not held for trading and are mandatorily required to be measured at fair value under IFRS9 as the assets contain one or more embedded derivatives.

Financial assets at FVPL are recorded in the Balance Sheet at fair value.

Changes in fair value are recorded in profit and loss.

3.9.2.6 Financial guarantees and undrawn loan commitments
In the ordinary course of business, the Company gives financial guarantees. Financial guarantees are initially recognised in the financial statements at fair value in 'Other liabilities' being the premium received adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantee at reporting date.

The premium received is recognised in the Statement of Comprehensive Income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.9.2.6 Financial guarantees and undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the Expected Credit Loss (ECL) requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments are not recorded on in the Balance Sheet. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 30.

3.9.2.7 Financial Liabilities

Financial liabilities classified as non-trading include Deposits by banks and Customer accounts while those held for trading include derivative financial instruments.

Non-trading liabilities are recorded at amortised cost.

3.10 Derecognition of financial assets and liabilities

3.10.1 Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition.

3.10.2 Derecognition other than for substantial modification

A financial asset or a portion thereof, is derecognised when the Company's rights to cash flows have expired; or when the Company has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all of the risks and rewards associated with financial assets or when control over the financial asset has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

3.11 Impairment of financial assets

3.11.1 Overview of the ECL principles

The Company records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.11.1 Overview of the ECL principles (continued)

Based on the above process, the Company groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1: (12mECL): IFRS9 requires that for financial assets where there has been no significant increase in credit risk since origination a loss allowance equivalent to 12 month expected credit losses should be held.
- Stage 2: (LTECL): IFRS9 requires financial assets that have experienced a significant increase in credit risk since initial recognition to carry a lifetime expected credit loss allowance.
- Stage 3: (LTECL; Multiple economic scenarios): This relates to additional impairment allowances required on Stage 3 exposures already in default or impaired. Under IFRS9, loss provisions are calculated using a range of forward-looking, probability weighted macro-economic scenarios and assets are individually assessed using multiple economic scenarios under IFRS9.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.
- Loan commitments When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
- Financial guarantee contracts The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios.

3.11.2 The calculation of ECLs

The calculation of ECLs is required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the ECL should take into account the time value of money. IFRS9 will result in an increase in the total level of impairment allowances, since all financial assets if not measured at fair value through profit and loss (FVPL) will be assessed for at least 12 month ECL.

The key elements of the ECL calculations are as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 **Summary of significant accounting policies** (continued)

3.11.2 The calculation of ECLs (continued)

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

The measurement of ECL also requires the use of multiple economic scenarios to calculate an unbiased and 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. A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec specific stress scenarios) and IFRS 9, including multiple scenarios.

3.11.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

3.12 Other Debtors

Other debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through statement of comprehensive income when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

3.13 Leases

3.13.1 Lease liabilities

The Company assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments.

At the commencement of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments(less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payaments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments or a rent review).

The Company's lease liabilities are included in other liabilities (Note 25).

3.14 Taxation

3.14.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

3.14.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.15 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

3.15.1 Impairment losses on financial assets

The measurement of ECLs across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

3.16 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

3.16.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance effective 1 January 2023, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). This standard is not applicable to the Company.

3.16.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issues amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. This amendments, effective 1 January 2023, are not expected to have a significant impact on the Company's financial statements.

3.16.3 Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are effective from 1 January 2022 and are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

These amendments are not expected to have a significant impact on the Company's financial statements.

3.16.4 Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use effective from 1 January 2022. The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments are not expected to have a significant impact on the Company's financial statements.

3.16.5 Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendments are effective from 1 January 2022, they clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments are not expected to have a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

3 Summary of significant accounting policies (continued)

3.16.6 IBOR reform Phase 2

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 is effective from 1st January 2021 and will be applied by the Company for the financial period beginning 1 April 2021.

4 Review of the Company's risk profile

Risk management

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Company is exposed to credit risk, liquidity risk, financing and interest rate risk, foreign currency risk and operational risk. The Company's Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Risk Management processes throughout the Company are audited by the internal audit function, that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management and the Board. It also reports its findings to the Audit Committee of the Company's parent company. Internal Audit reviews occur on an 18 month rolling basis.

Monitoring and controlling risks is primarily performed based on limits established by the Company or allocated to the Company by its parent company. Reports are prepared daily to ensure that all agreed limits are adhered to. A daily summary is circulated to senior management, to identify any breaches of market limits, foreign exchange exposures, interest rate risk and liquidity.

The Company's liquidity risk and exposure to interest rate and foreign exchange risks are managed by the Company's treasury department. Treasury seeks to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It operates within policies and procedures agreed by the Company's Board of Directors and the ultimate parent company, which include strict controls on the use of financial instruments in managing the Company's risk.

Although the Company does not actively trade, it is authorised to take small positions in currency within the overall limits imposed by the Company's Board of Directors.

4.1 Credit risk

Credit risk is the risk that a customer or counterparty will be unwilling or unable to meet a commitment that it has entered into with the Company. The Company continuously reviews the credit quality of counter-parties and limits individual aggregate exposures accordingly. The Company's Board of Directors receive regular reports on credit exposures. These include information on large credit exposures, asset concentration, levels of bad debt provisioning and country exposure limits.

Total credit exposures are summarised below:

	As at 31 March	
	2021 £m	2020 £m
Loans and advances to banks	591	578
Debt instruments at FVOCI	566	544
Financial assets at FVPL	1	1
Loans and advances to customers	981	947
Derivative financial instruments	1	5
Other assets	17	14
Total on balance sheet credit exposures	**2 157**	**2 089**
Undrawn loans	92	90
Gross off-balance sheet exposure	**92**	**90**
Total credit exposures	**2 249**	**2 179**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

4 **Review of the Company's risk profile** (continued)

4.1 Credit risk (continued)

An analysis of the counterparty risk on loans and advances to banks is shown below:

Fitch Equivalent Rating	As at 31 March 2021		As at 31 March 2020	
	Limit £m	**Exposure £m**	Limit £m	Exposure £m
AAA	–	–	–	–
AA+	–	–	–	–
AA	20	–	20	–
AA-	280	106	476	99
A+	291	64	230	31
A	155	62	170	72
A-	238	110	73	55
BBB+ *	497	246	537	320
BBB	–	–	–	–
BBB-	–	–	–	–
BB+	–	–	–	–
BB	–	–	45	1
BB-	45	3	–	–
	1 526	**591**	**1 551**	**578**

*Of the total BBB+ rated exposure of £246m, £210m relates to the Company's parent, Investec Bank plc. Of this exposure £117m is secured (2020: £274m / £32m).

In addition to placing funds with the Company's parent, funds are also placed with other banks. The Company has limits on the maximum value of funds it can place with any counterparty. These limits are approved by Group Credit and allocated to the Company. These limits are monitored daily and any breaches of limits are reviewed by the Company's Board of Directors.

Credit risk classification and provisioning policy

The Company has incorporated IFRS9 requirements into its credit risk classification and provisioning process. A framework has been established that incorporates both quantitative and qualitative measures. Any decisions in relation to significant increase in credit risk will be management decisions subject to approval by the appropriate committees. The policies for financial assets at amortised cost, in accordance with IFRS9, have been developed as described below:

Definition of default
The Company has aligned the IFRS9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

Stage 1
All assets that are considered performing and have not had a significant increase in credit risk will be reported as Stage 1 assets. Under IFRS9 these Stage 1 financial assets have loss allowances measured at an amount equal to 12 month ECL.

Stage 2
Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. Under IFRS9 a loss allowance equivalent to a lifetime ECL is required to be held.

The Company's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from Watchlist committees and are under management review. This comprises exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements or idiosyncratic financial distress, or private clients who have undergone a significant deterioration in financial circumstances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

4 Review of the Company's risk profile (continued)

4.1 Credit risk (continued)

Credit risk classification and provisioning policy (continued)
Assets that have been subject to forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulties. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. Where payment holidays have been granted to clients in respect of the current COVID-19 pandemic, the loan is not considered to be in forbearance and will not be classified as Stage 2 unless there are factors that cause them to be classified as Stage 2. At 31 March 2021, no loans had been granted payment holidays due to COVID-19 (2020: One loan value of £640k).

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested as both a relative and absolute measure to further inform whether a significant deterioration in lifetime risk of default has occurred.

As a backstop, the group does not rebut the presumption in IFRS9 that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

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

Stage 3
Financial assets will be included in Stage 3 when there is objective evidence of credit impairment. Under IFRS9, the Company assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or in receivership. Forborne loans that are considered non-performing, for example if a loan is not expected to return to fulfil the original contractual obligations in a reasonable timeframe, will be classified as Stage 3.

The Company's policy is not to rebut the presumption in IFRS9 that loans which are more than 90 days past due are in default.

Write-offs
A loan or advance is normally written off, in full, against the related allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. Any recoveries of amounts previously written off decrease the amount of impairment losses.

4.2 Financing and Interest Rate Risk
Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non rate-sensitive assets, liabilities and off balance sheet items. The Company's policy is to maintain the interest rate risk at a minimal level except that management may invest the shareholders' funds in fixed or floating rate instruments in response to market conditions.

Note 34 shows management's estimate of the interest rate sensitivity gap as at 31 March 2020. Assets and liabilities are included in the table at the earliest date at which the applicable interest rate can change.

Company policy dictates that interest rates should not be fixed for any period greater than one year. If circumstances arise which require rates to be fixed for greater than one year, the Company enters into interest rate swaps to manage that risk. Details of contracts entered into as at 31 March 2021 are in Note 16 (further information in Note 34).

The Company monitors interest rate risk using MPM (Million Pound Months) analysis. Using this analysis, exposures are expressed on the basis of residual term to earliest interest re-pricing date (in months) nominal value of the exposure. Limits are set for each currency and are monitored daily.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

4 Review of the Company's risk profile (continued)

4.2 Financing and Interest Rate Risk (continued)

Summary of MPM Position:

	As at 31 March 2021			As at 31 March 2020		
Currency	**MPM**	**MPM Limit**	**%**	MPM	MPM Limit	%
GBP	(894)	1 500	60%	(635)	1 500	42%
USD	(1 232)	2 220	56%	(1 070)	2 220	48%
JPY	-	50	0%	-	50	0%
EURO	14	500	3%	(78)	500	16%
AUD	(1)	50	1%	1	50	1%
CHF	-	50	0%	-	50	0%
Others	7	50	13%	20	50	40%
Overall	**2 147**	**3 600**	**60%**	**1 804**	**3 600**	**50%**

The overall MPM Position represents the absolute exposure rather than the sum of individual currency positions. The overall MPM limit represents the maximum exposure permitted. It does not equate to the sum of the individual currency limits.

4.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The table in Note 33 shows the maturity analysis of the balance sheet of the Company.

To protect against potential shocks the Company holds a liquidity buffer in the form of government securities, money market instruments and bank deposits. Government securities held during the year comprise Treasury Bills. These portfolios are managed within board approved targets. The Company does not rely on overnight interbank deposits to fund term lending.

The Company's Balance sheet is fully unencumbered and the Company does not enter into commodities contracts.

Regulatory liquidity is measured by the Liquidity Coverage (LCR) ratio. The Company is required to maintain a minimum LCR ratio of 100%. The LCR reported to the Guernsey Financial Services Commission (GFSC) at 31 March 2021 was 274% (2020: 280%).

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cashflows indicated by the Company's deposit retention history.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

4 **Review of the Company's risk profile** (continued)

4.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities, commitments and guarantees based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cashflows indicated by the Company's deposit retention history.

As at 31 March 2021	Up to 1 month £	More than 1 month but not more than 3 months £	More than 3 months but not more than 6 months £	More than 6 months but not more than 1 year £	Over 1 Year £	Total £
Liabilities						
Deposits by banks	11 087 862	4 446 146	4 663 489	–	–	20 197 497
Customer accounts	1 386 594 958	451 840 254	83 602 887	4 167 025	22 494 108	1 948 699 232
Derivative financial instruments	984 181	–	34 677	28 784	969 053	2 016 695
Subordinated debt	–	–	–	–	28 564 731	28 564 731
Loan commitments	91 830 176	–	–	–	–	91 830 176

As at 31 March 2020	Up to 1 month £	More than 1 month but not more than 3 months £	More than 3 months but not more than 6 months £	More than 6 months but not more than 1 year £	Over 1 Year £	Total £
Liabilities						
Deposits by banks	9 798 355	550 411	6 165 211	–	–	16 513 977
Customer accounts	1 274 896 124	493 451 548	95 662 325	5 870 320	16 258 153	1 886 138 470
Derivative financial instruments	5 255 263	–	–	10 091	1 102 740	6 368 094
Subordinated debt	–	–	–	–	30 533 356	30 533 356
Loan commitments	90 114 580	–	–	–	–	90 114 580

4.4 Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign currency exposure arises from providing services to customers. The Company's policy is to hedge against foreign exchange risk by matching currency liabilities with currency assets. The Company's Board of Directors receive regular reports on foreign currency exposures.

The table in Note 32 shows the Company's exposure to major currencies as at 31 March 2021.

Fluctuations in exchange rates can have an effect on profit and equity. The table below summarises the effect on profit and equity of a 5% increase of exchange rates against sterling, assuming the net positions in each currency remain unchanged. The table shows the main exposures of the Company. A negative value indicates a decrease in profit. Due to the policy of matching currency liabilities with currency assets, the effect of exchange rate movements on profit and equity is minimal.

Currency	Increase in FX Rate against GBP	31 March 2021 Effect on Profit and Equity £	31 March 2020 Effect on Profit and Equity £
USD	5%	(1 408)	25 413
NZD	5%	–	(1 391)
EUR	5%	10 536	16 172
ZAR	5%	3 110	1 842

4.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company does not expect to eliminate all operational risks, but through effective control procedures and by monitoring and responding to potential risks, the Company is able to manage the risks. All anticipated risks are identified and monitored, using the Group approved operational risk software. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training, and assessment processes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

5 Interest and similar income

	2021 £	2020 £
In respect of:		
Cash and short term funds	130 439	461 907
Due from banks	2 622 477	12 304 142
Loans and advances to customers	31 805 917	32 727 064
Financial investments - available for sale	–	–
Negative interest received on customer deposits	859 123	–
Debt instruments at fair value through other comprehensive income	1 577 935	6 756 832
	36 995 891	**52 249 945**

6 Interest and similar expense

	2021 £	2020 £
In respect of:		
Deposits by banks	(247 126)	(145 976)
Customer accounts	(5 355 158)	(12 964 345)
Unwinding of lease liabilities	(153 250)	(160 986)
Subordinated debt	(1 333 302)	(1 474 598)
Negative interest paid on debt instruments at fair value through other comprehensive income	(74 310)	–
	(7 163 146)	**(14 745 905)**

7 Net fees and commission income

	2021 £	2020 £
Foreign exchange	2 782 920	2 741 731
Credit related fees and commissions	368 385	362 978
Bank charges and commissions	1 259 700	1 880 647
Custody and safekeeping charges	575 408	403 130
Total fees and commission income	**4 986 413**	**5 388 486**
Brokerage and commissions paid	–	–
Other fees paid	(264 101)	(275 570)
Total fees and commission expense	**(264 101)**	**(275 570)**
Net fees and commission income	**4 722 312**	**5 112 916**

8 Other operating income

	2021 £	2020 £
Net trading income		
Foreign exchange trading income	383 958	404 332
Net change in fair value of Foreign Exchange contracts and Interest Rate Swaps	53 564	934
	437 522	**405 266**
Other		
Rental income received	167 608	205 183
	167 608	**205 183**
Total other operating income	**605 130**	**610 449**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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9 Expected credit losses impairment release

	2021 £	2020 £
Expected credit losses impairment charges has arisen on the following line items:		
Movement in ECL on loans and advances to customers	373 228	(1 142 281)
Movement in ECL on other balance sheet assets	63	1 668
Movement in ECL on off-balance sheet commitments	(54 940)	105 337
Loans and advances to customers recovered/(written off)	712	(866 396)
Total expected credit impairment release/(losses)	**319 063**	**(1 901 672)**

10 Administrative expenses

	2021 £	2020 £
Staff costs	11 337 241	11 343 032
Recharges of group central costs	3 421 813	2 288 946
IT and office services	1 598 529	1 592 805
Marketing, travel and entertainment	144 131	576 839
Accommodation	337 969	314 343
Rental expense	29 516	49 730
Auditors remuneration - current year audit fees	206 127	121 831
Auditors remuneration - other services	33 164	35 982
Directors' fees	90 000	112 500
Legal and consulting fees	1 475 331	888 398
Other professional fees including GFSC fees	223 939	201 694
Operating losses	86 966	130 706
Other costs	69 801	60 581
	19 054 527	**17 717 387**

Group Central Costs relate to expenses recharged by Investec Bank PLC for HR, Risk, Compliance, Operations, Regulatory Reporting and IT Support. These services are provided at group level on an arm's length basis.

11 Taxation

	2021 £	2020 £
Guernsey income tax based on profits for the year	1 295 688	2 130 090
Deferred tax charge	–	(46 644)
(Over)/under accrual in prior year	(8 430)	4 904
Tax charge reported in the statement of comprehensive income	**1 287 258**	**2 088 350**

The tax assessed for the year is lower than the intermediate rate of income tax in Guernsey of 10% applicable to banking activities. The differences are explained below.

	2021 £	2020 £
Profit on ordinary activities	14 641 709	22 424 164
	14 641 709	**22 424 164**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

11 **Taxation** (continued)

	2021 **£**	2020 £
Profit on ordinary activities at intermediate rate of tax at 10%	1 464 171	2 242 416
Add tax effect of disallowable expenditure:		
- Guernsey (net)	58 573	237 316
Less tax effect of Guernsey allowable deductions:		
- Capital allowances	(44 687)	(83 148)
- Income taxable at 0%	(182 072)	(266 494)
Current tax charge for the year	**1 295 985**	**2 130 090**

The Standard rate of income tax payable by Investec Bank (Channel Islands) Limited is 10% on its Banking business profits.

Deferred Taxation

	2021 **£**	2020 £
Deferred taxation assets	**485 950**	**485 950**

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods.

The deferred taxation assets arises from the timing difference as a result of the closing ECL balance recognised at the year end.

12 **Loans and advances to banks**

	2021 **£**	2020 £
Due from Investec Bank PLC - secured	93 282 257	32 189 389
Due from Investec Bank PLC - unsecured	116 876 818	236 979 099
Due from other group companies	38 985 755	1 189 052
Due from banks	341 788 823	284 750 814
Deposits with fellow subsidiaries	–	22 937 910
Loans and advances to banks	**590 933 653**	**578 046 264**
Less: Expected Credit Loss Allowance	(415)	(478)
	590 933 238	**578 045 786**

Of the total 'Loans and advances to banks', £210m (35.6%) was due from the Company's parent company Investec Bank plc (2020: £269m).

The decrease in the ECL allowance of £63 during the year ended 31 March 2021 (2020: reduction of £151) was recognised in the Statement of Comprehensive Income.

13 **Debt securities**

	2021 **£**	2020 £
Debt instruments at fair value through other comprehensive income	566 237 124	544 404 420
Total Debt Securities	**566 237 124**	**544 404 420**

At 31 March 2021 there was no ECL allowance on debt instruments at fair value through other comprehensive income (2020: £1,818).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

14 Loans and advances to customers

	2021 £	2020 £
Commercial property	239 573 451	241 374 601
Other - secured	131 221 065	141 230 848
Residential mortgages	609 783 803	564 285 482
Unsecured	208 232	365 397
Gross loans and advances to customers	**980 786 551**	**947 256 328**
Less: Expected Credit Loss Allowance (IFRS9)	(5 584 193)	(5 971 988)
	975 202 358	**941 284 340**

Loans and advances to customers are contractually repayable on demand but it is not the Company's intention to call loans before the anticipated term of the loan.

Of the total 'Loans and advances to customers', 97.3% (£949m) was fully secured by collateral (2020: £911m). The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are residential property, commercial property, cash and investment portfolios.

An analysis of loans and advances to customers and asset quality is shown in the table below:

	31 March 2021 £000s	31 March 2020 £000s
Gross core loans and advances to customers under IFRS9	**980 787**	**947 256**
Gross exposure subject to ECL (£000)	**980 787**	**947 256**
Stage 1	924 464	867 697
Stage 2	30 614	9 413
Stage 3	25 709	70 146
Gross exposure (%)		
Stage 1	94.3%	91.6%
Stage 2	3.1%	1.0%
Stage 3	2.6%	7.4%
IFRS9 ECL (£000)	**5 584**	**5 972**
Stage 1	453	928
Stage 2	1 242	780
Stage 3	3 889	4 264
ECL coverage ratio (%)	**0.6%**	**0.6%**
Stage 1	0.0%	0.1%
Stage 2	4.1%	8.3%
Stage 3	15.1%	6.1%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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14 Loans and advances to customers (continued)

An analysis of the changes in gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers under IFRS9 is shown in the tables below:

Changes in Gross Carrying Amount (£000s):

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 April 2020	**867 697**	**9 413**	**70 146**	**947 256**
New assets originated	191 041	1 477	–	192 518
Assets repaid (excluding write-offs)	(118 409)	–	(44 379)	(162 788)
Transfers to Stage 1	776	(776)	–	–
Transfers to Stage 2	(20 934)	20 934	–	–
Transfers to Stage 3	–	–	–	–
Other movements	4 293	(434)	(58)	3 801
Amounts written-off	–	–	–	–
Gross carrying amount as at 1 April 2020	**924 464**	**30 614**	**25 709**	**980 787**

Changes in ECL Allowance (£000s):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April 2020	**928**	**780**	**4 264**	**5 972**
New assets originated	175	–	–	175
Assets repaid (excluding write-offs)	(535)	–	(2 007)	(2 542)
Transfers to Stage 1	1	(24)	–	(23)
Transfers to Stage 2	(16)	19	–	3
Transfers to Stage 3	–	(1)	14	13
Other movements	(100)	468	1 618	1 986
Amounts written-off	–	–		–
ECL allowance as at 31 March 2021	**453**	**1 242**	**3 889**	**5 584**

Changes in Gross Carrying Amount (£000s):

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 April 2019	**752 260**	**42 353**	**42 500**	**837 113**
New assets originated	195 463	–	111	195 575
Assets repaid (excluding write-offs)	(68 477)	(2 930)	(6 516)	(77 924)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3 783)	3 783	–	–
Transfers to Stage 3	(2 526)	(33 281)	35 807	–
Other movements	(5 240)	(512)	(890)	(6 642)
Amounts written-off	–	–	(866)	(866)
Gross carrying amount as at 31 March 2020	**867 697**	**9 413**	**70 146**	**947 256**

Changes in ECL Allowance (£000s):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April 2019	**356**	**1 567**	**2 902**	**4 826**
New assets originated	91	1	3	95
Assets repaid (excluding write-offs)	(32)	(4)	(103)	(139)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(1)	89	–	88
Transfers to Stage 3	(5)	(878)	2 167	1 284
Other movements	519	5	5	529
Amounts written-off	–	–	(710)	(710)
ECL allowance as at 31 March 2020	**928**	**780**	**4 264**	**5 972**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

14 **Loans and advances to customers** (continued)

Analysis of Loans and advances to customers by risk category:

As at 31 March 2021	Stage 1		Stage 2		Stage 3		Total	
£000s	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Commercial Property	**203 271**	**(23)**	**13 360**	**(1 241)**	**22 943**	**(3 260)**	**239 573**	**(4 524)**
Investment	168 519	(10)	7 755	(18)	22 943	(3 260)	199 216	(3 288)
Development	1 715	–	–	–	-	-	1 715	–
Other	33 037	(13)	–	–	-	-	33 037	(13)
Planning	–	–	5 605	(1 223)	-	-	5 605	(1 223)
Residential Property	**594 176**	**(144)**	**12 842**	**(1)**	**2 766**	**(629)**	**609 784**	**(774)**
Mortgages	87 069	(24)	–	–	-	-	87 069	(24)
Investment	480 897	(115)	12 842	(1)	2 766	(629)	496 505	(745)
Development	19 769	(5)	–	–	–	–	19 769	(5)
Other	6 441	–	–	–	–	–	6 441	–
Other Secured Loans	**126 809**	**(286)**	**4 412**	**–**	**–**	**–**	**131 221**	**(286)**
Growth & Acquisition Finance	10 292	(101)	–	–	–	–	10 292	(101)
Leverage/Acquisition Finance	–	–	–	–	–	–	–	–
Non Property Structured Lending	79 161	(90)	–	–	–	–	79 161	(90)
Other corporate lending	11 612	(93)	4 412	–	–	–	16 024	(93)
Other	25 744	(2)	–	–	–	–	25 744	(2)
Unsecured Loans	**208**	**-**	**-**	**–**	**–**	**–**	**208**	**–**
Unsecured Loans	208	–	–	–	–	–	208	–
Unallocated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**924 464**	**(453)**	**30 614**	**(1 242)**	**25 709**	**(3 889)**	**980 786**	**(5 584)**

As at 31 March 2020	Stage 1		Stage 2		Stage 3		Total	
£000s	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Commercial Property	**179 292**	**(53)**	**5 606**	**(690)**	**56 477**	**(3 404)**	**241 375**	**(4 147)**
Investment	179 292	(53)	–	–	53 130	(3 240)	232 422	(3 293)
Development	–	–	–	–	3 347	(164)	3 347	(164)
Planning	–	–	5 606	(690)	–	–	5 606	(690)
Residential Property	**547 242**	**(276)**	**3 788**	**(89)**	**13 255**	**(834)**	**564 285**	**(1 199)**
Mortgages	99 156	(31)	–	–	3 639	–	102 795	(31)
Investment	444 499	(245)	3 788	(89)	3 545	(520)	451 832	(854)
Development	3 587	–	–	–	6 071	(314)	9 658	(314)
Other	–	–	–	–	–	–	–	–
Other Secured Loans	**140 798**	**(99)**	**19**	**(1)**	**414**	**(26)**	**141 231**	**(126)**
Growth & Acquisition Finance	10 378	(4)	–	–	–	–	10 378	(4)
Leverage/Acquisition Finance	3 499	(45)	–	–	–	–	3 499	(45)
Non Property Structured Lending	92 019	(48)	–	–	–	–	92 019	(48)
Other corporate lending	22 365	(1)	–	–	–	–	22 365	(1)
Other	12 537	(1)	19	(1)	414	(26)	12 970	(28)
Unsecured Loans	**365**	**–**	**–**	**–**	**–**	**–**	**365**	**–**
Unsecured Loans	365	–	–	–	–	–	365	–
Unallocated	**–**	**(500)**	**–**	**–**	**–**	**–**	**–**	**(500)**
Total	**867 697**	**(928)**	**9 413**	**(780)**	**70 146**	**(4 264)**	**947 256**	**(5 972)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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15 Derivative financial instruments

The Company enters into various contracts for derivatives for the purpose of hedging foreign exchange and interest rate exposures.

In the table below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent either the market risk or the credit risk. The fair value of a derivative financial instrument represents the positive or negative cashflows which would have been incurred had the rights and obligations arising from that instrument been closed out by the Company in an orderly market transaction at balance sheet date.

	Assets 2021 £	Liabilities 2021 £	Notional 2021 £
Derivatives held for trading			
Forward foreign exchange contracts	1 024 141	(1 018 858)	375 450 367
Interest rate swaps	245 740	(997 837)	89 869 550
	1 269 881	**(2 016 695)**	**465 319 917**

	Assets 2020 £	Liabilities 2020 £	Notional 2020 £
Derivatives held for trading			
Forward foreign exchange contracts	5 206 202	(5 255 263)	387 742 801
Interest rate swaps	–	(1 112 831)	71 056 025
	5 206 202	**(6 368 094)**	**458 798 826**

Forward foreign exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Interest rate swaps relate to contracts taken out by the Company with other financial institutions in which the Company either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

16 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Treasury Bills

When fair values of publicly traded financial instruments are based on quoted market prices, or binding deal price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Company values these investments at bid price for long positions and ask price for short positions.

Over-the-counter derivatives

The Company uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including any adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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16 **Fair value hierarchy** (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss is comprised of derivatives and loans to customers which contain one or more embedded derivatives.

	31 March 2021 £	Level 1 £	Level 2 £	Level 3 £
Assets classified as fair value through profit or loss				
Forward foreign exchange contracts	1 024 141	–	1 024 141	–
Interest rate swap contracts	245 740	–	245 740	–
Loans to customers at fair value through profit or loss	1 111 229	–	–	1 111 229
Assets classified as fair value through other comprehensive income				
Treasury Bills	566 237 124	566 237 124	–	–
Liabilities classified as fair value through profit or loss				
Forward foreign exchange contracts	(1 018 858)	–	(1 018 858)	–
Interest rate swap contracts	(997 837)	–	(997 837)	–

	31 March 2020 £	Level 1 £	Level 2 £	Level 3 £
Assets classified as fair value through profit or loss				
Forward foreign exchange contracts	5 206 202	–	5 206 202	–
Interest rate swap contracts	–	–	–	–
Loans to customers at fair value through profit or loss	1 355 860	–	–	1 355 860
Assets classified as fair value through other comprehensive income				
Treasury Bills	544 404 420	544 404 420	–	–
Liabilities classified as fair value through profit or loss				
Forward foreign exchange contracts	(5 255 263)	–	(5 255 263)	–
Interest rate swap contracts	(1 112 831)	–	(1 112 831)	–

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the reporting period ended 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Reconciliation of financial assets at fair value through profit or loss (Level 3)

	2021 £	2020 £
Financial assets at fair value through profit or loss at 1 April	1 355 860	975 000
Advances	21 309	6 135
Fair value movement	(265 940)	374 725
Financial assets at fair value through profit or loss at 31 March	**1 111 229**	**1 355 860**

17 **Investment in subsidiary company**

Name of subsidiary	Nature of business	Issued Capital (£)	% held	Country of incorporation
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100 000	100%	Guernsey

The Company bears the cost of administering Investec Bank (Channel Islands) Nominees Limited.

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18 Interest Rate Swaps

The Company uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk.

Interest rate swaps are entered into mainly to hedge the exposure of changes in fair value of fixed rate loans attributable to interest rates.

Description of financial instrument	FV of interest rate swaps	Cumulative gains/(losses) on interest rate swaps	Current year gains/(losses) on interest rate swaps	Cumulative gains/ (losses) on fixed rate loans	Current year gains/(losses) on fixed rate loans
2021	**£**	**£**	**£**	**£**	**£**
Interest Rate Swap	(752 097)	(752 097)	438 711	845 738	(361 516)
2020	**£**	**£**	**£**	**£**	**£**
Interest Rate Swap	(1 190 808)	(1 190 808)	(995 709)	1 207 254	992 416

19 Intangible fixed assets

	Computer Software £
Cost	
As at 31 March 2020	4 573 867
Additions	228 619
Disposals	(92 565)
As at 31 March 2021	**4 709 921**
Amortisation and impairment	
As at 31 March 2020	3 909 929
Charge for the year	425 092
Disposals	(92 565)
As at 31 March 2021	**4 242 456**
Net book value	
As at 31 March 2020	663 938
As at 31 March 2021	**467 465**

20 Tangible fixed assets and right of use assets

	Right of Use Assets - Buildings £	Leasehold Improvements £	Office Equipment £	Total £
Cost				
As at 31 March 2020	9 862 927	1 573 584	1 669 871	13 106 382
Additions	186 830	130 816	183 061	500 706
Disposals	–	–	(360 480)	(360 480)
As at 31 March 2021	**10 049 757**	**1 704 400**	**1 492 452**	**13 246 608**
Depreciation				
As at 31 March 2020	713 601	1 070 352	1 375 983	3 159 936
Charge for the year	723 768	179 886	184 431	1 088 086
On Disposals	–	–	(349 688)	(349 688)
As at 31 March 2021	**1 437 369**	**1 250 238**	**1 210 726**	**3 898 334**
Net book value				
As at 31 March 2020	9 149 326	503 232	293 888	9 946 446
As at 31 March 2021	**8 612 387**	**454 162**	**281 726**	**9 348 274**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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20 Tangible fixed assets and right of use assets (continued)

Set out below are the carrying amounts of lease liabilities (included under other liabilities in Note 25) and the movements during the period:

	2021 £	2020 £
At 31 March 2020	9 239 714	9 862 927
Accretion of interest	153 250	160 986
Remeasurement at rent review	186 830	–
Payments	(791 527)	(784 199)
As at 31 March 2021	**8 788 267**	**9 239 714**

The maturity analysis of lease liabilities is disclosed in Note 33.

The Company had total cash outflows for leases of £791,527 (2020: £784,199). The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of £9,862,927 at 1st April 2019.

21 Prepayments and accrued income

	2021 £	2020 £
Prepaid expenses	745 143	934 087
Loan Fees due from Clients	162 275	215 492
	907 418	**1 149 579**

22 Other Assets

	2021 £	2020 £
Transaction clearing	5 297 462	1 141 610
Other assets	259 537	319 866
	5 556 999	**1 461 476**

23 Deposits by banks

	2021 £	2020 £
Due to fellow subsidiaries	20 192 374	16 488 223
	20 192 374	**16 488 223**

24 Customer accounts

	2021 £	2020 £
Current accounts	1 335 761 829	1 198 697 814
Notice and fixed accounts	611 527 811	684 957 539
	1 947 289 640	**1 883 655 353**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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25 Other liabilities

	2021 £	2020 £
Staff expenses accrued	1 649 553	1 627 456
Due to holding company	174 692	268 277
ECL allowance on undrawn loans	63 417	8 477
Lease liabilities (Note 20)	8 788 267	9 239 714
Other liabilities	3 331 247	1 673 353
	14 007 176	**12 817 277**

Other liabilities includes £63,417 (2020: £8,477) in respect of an ECL allowance on undrawn loans (Note 30). The increase in the ECL allowance of £54,940 during the year ended 31 March 2021 (2020: reduction of £105,329) was recognised in the Statement of Comprehensive Income.

26 Subordinated debt

	2021 £	2020 £
Subordinated debt	**25 266 937**	**25 307 209**

During the prior year the Company issued £25m of debt. The debt has a 10 year term, with a call option after 5 years.

The debt was purchased by Investec Bank (Switzerland) AG, a fellow subsidiary of Investec Bank PLC.

27 Share capital

	2021 £	2020 £
Authorised:		
23,250,000 ordinary shares of £1 each	**23 250 000**	**23 250 000**
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**14 652 339**	**14 652 339**

Each ordinary share entitles the holder to one vote at a meeting of shareholders and to an equal share of any dividends or residual net assets on wind up.

28 Reserves and share premium account

Share premium
This reserve relates to the excess proceeds over par value received on the issue of the Company's equity share capital, comprising £1 ordinary shares.

Share based payment reserve
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 36 for further details of these plans.

Fair value reserve
This reserve records fair value changes on debt securities and the ECL allowance on debt securities. The changes in the ECL allowance of £nil during the year ended 31 March 2021 was recognised in the Statement of Comprehensive Income (2020: £1,818). The closing ECL allowance on debt securities at 31 March 2021 was £nil (2020: £nil).

29 Dividends

	2021 £	2020 £
Dividend declared and paid during the year	**8 000 000**	**12 000 000**
Dividend per share	**£0.55**	**£0.82**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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30 Commitments and contingent liabilities

In the normal course of business there are various outstanding commitments and contingent liabilities.

	2021 £	2020 £
(i) Forward Foreign Exchange Contracts (Nominal Value)		
Falling due:		
Within one year	**375 450 367**	**387 742 801**
(ii) Undrawn loans		
Falling due:		
Within one year	**91 830 176**	**90 114 580**
(iii) Guarantees		
Falling due:		
Within one year	–	–

Included in other liabilities in Note 25 is an amount of £63,417 in respect of stage 1 ECL allowances on undrawn loans (2020: £8,477). The increase in the stage 1 ECL allowance of £54,940 during the year ended 31 March 2021 was recognised in the Statement of comprehensive income (2020: decrease of £105,329).

31 Geographical analysis

	Assets £ 2021	Liabilities & Shareholders' Funds £ 2021	Assets £ 2020	Liabilities & Shareholders' Funds £ 2020
Channel Islands	**511 653 054**	**1 250 765 466**	481 278 939	1 217 975 028
United Kingdom	**819 259 663**	**255 559 559**	900 575 111	262 884 913
EU Member States	**258 510 312**	**25 836 115**	197 040 392	25 252 709
Other	**562 196 907**	**619 458 796**	505 209 555	577 991 347
	2 151 619 936	**2 151 619 936**	**2 084 103 997**	**2 084 103 997**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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32 Currency exposure

The currency exposure is stated in the Sterling equivalent, including the impact of currency hedging transactions with Investec Bank PLC.

31 March 2021	Sterling £	%	US Dollar £	%	Euro £	%	Other Currencies £	%	Total £
Assets	1 281 984 828	60%	688 010 512	32%	107 143 300	5%	74 481 296	3%	2 151 619 936
Liabilities including shareholders' funds	(1 281 809 238)	60%	(688 032 913)	32%	(107 260 546)	5%	(74 517 239)	3%	(2 151 619 936)
Net assets/ (liabilities)	**175 590**		**(22 401)**		**(117 246)**		**(35 943)**		**–**
Off balance sheet									
Assets	92 573 477	25%	102 709 160	27%	126 858 810	34%	53 314 319	14%	375 455 766
Liabilities	(90 357 296)	24%	(102 630 692)	27%	(129 034 899)	34%	(53 427 480)	14%	(375 450 367)
Net off balance sheet assets/ (liabilities)	**2 216 181**		**78 468**		**(2 176 089)**		**(113 161)**		**5 399**

31 March 2020	Sterling £	%	US Dollar £	%	Euro £	%	Other Currencies £	%	Total £
Assets	1 274 112 787	61%	595 397 410	29%	139 394 184	7%	75 199 616	4%	2 084 103 997
Liabilities including shareholders' funds	(1 274 112 787)	61%	(595 397 410)	29%	(139 394 184)	7%	(75 199 616)	4%	(2 084 103 997)
Net assets/ (liabilities)	**–**		**–**		**–**		**–**		**–**
Off balance sheet									
Assets	197 557 999	51%	47 171 620	12%	91 006 122	23%	52 035 944	13%	387 771 685
Liabilities	(191 106 670)	49%	(52 979 787)	14%	(92 785 373)	24%	(50 870 971)	13%	(387 742 801)
Net off balance sheet assets/ (liabilities)	**6 451 329**		**(5 808 167)**		**(1 779 251)**		**1 164 973**		**28 884**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

33 Contractual maturity analysis

The table below shows client assets and liabilities, debt securities and subordinated debt analysing when they are expected to be recovered or settled, based on contractual repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cashflows indicated by the Company's deposit retention history.

As at 31 March 2021	Up to 1 month £	More than 1 month but not more than 3 months £	More than 3 months but not more than 6 months £	More than 6 months but not more than 1 year £	More than 1 year but not more than 5 years £	More than 5 years £	Total £
Assets							
Loans and advances to banks	344 664 410	217 291 728	28 977 100	–	–	–	590 933 238
Loans and advances to customers at amortised cost	38 739 729	28 885 070	34 199 509	98 410 489	697 562 284	77 405 277	975 202 358
Loans to customers at fair value through profit or loss	–	–	–	–	1 111 229	–	1 111 229
Debt securities	146 131 794	168 572 560	103 243 017	101 576 360	25 559 924	21 153 469	566 237 124
Liabilities							
Deposits by banks	(11 087 861)	–	(4 443 050)	(4 661 463)	–	–	(20 192 374)
Customer accounts	(1 386 591,475)	(451 136 565)	(83 510 114)	(4 143 606)	(21 892 483)	(15 397)	(1 947 289 640)
Lease liabilities	(65 780)	(131 553)	(195 062)	(389 222)	(2 970 114)	(6 064 467)	(9 816 199)
Subordinated debt	–	–	–	–	(25 266 937)	–	(25 266 937)
Net position	**(868 209 183)**	**(36 518 760)**	**78 271 400**	**190 792 558**	**674 103 903**	**92 478 882**	**130 918 799**

As at 31 March 2020							
Assets							
Loans and advances to banks	281 960 860	263 959 843	32 136 258	(1 635)	(9 540)	–	578 045 786
Loans and advances to customers at amortised cost	41 292 780	9 904 750	52 282 994	72 397 770	680 998 860	84 407 186	941 284 340
Loans to customers at fair value through profit or loss	–	–	–	–	1 355 860	–	1 355 860
Debt securities	203 860 798	198 226 545	78 139 854	64 177 223	–	–	544 404 420
Liabilities							
Deposits by banks	(9 798 355)	(549 789)	(6 140 079)	–	–	–	(16 488 223)
Customer accounts	(1 274 886 088)	(492 587 072)	(94 912 837)	(5 797 262)	(5 454 144)	(10 017 950)	(1 883 655 353)
Lease liabilities	(64 937)	(129 874)	(194 817)	(387 316)	(2 970 417)	(6 653 519)	(10 400 880)
Subordinated debt	–	–	–	–	(25 307 209)	–	(25 307 209)
Net position	**(757 634 942)**	**(21 175 597)**	**61 311 373**	**130 388 780**	**648 613 410**	**67 735 717**	**129 238 741**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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34 Interest rate sensitivity analysis

Part of the Company's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The table below summarises these repricing mismatches on the Company's non-trading book as at 31 March 2021. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date, taking into account the effect of derivative financial instruments whose effect is to alter the interest basis of an asset or liability.

	Not more than 3 months £	More than 3 months but not more than 6 months £	More than 6 months but not more than 1 year £	More than 1 year but not more than 5 years £	More than 5 years £	Non-interest bearing £	Total £
Assets							
Fixed rate - up to 3%	620 515 503	103 274 169	101 576 554	1 509 210	–	–	826 875 436
Fixed rate - above 3%	45 440 797	–	8 932 075	70 314 120	7 332 287	–	132 019 279
Floating rate - up to 3%	817 502 717	–	122 069	–	–	–	817 624 786
Floating rate - above 3%	354 106 762	–	–	2 940 488	–	–	357 047 250
Non-interest bearing	–	–	–	–	–	18 053 185	18 053 185
Total Assets	**1 837 565 779**	**103 274 169**	**110 630 698**	**74 763 818**	**7 332 287**	**18 053 185**	**2 151 619 936**
Liabilities							
Fixed rate - up to 3%	82 908 656	20 674 233	11 641 882	–	–	–	115 224 771
Fixed rate - above 3%	25 366 385	–	127 142	–	–	–	25 493 527
Floating rate - up to 3%	1 851 836 672	–	–	–	–	–	1 851 836 672
Floating rate - above 3%	193 980	–	–	–	–	–	193 980
Non-interest bearing	–	–	–	–	–	17 172 664	17 172 664
Total Liabilities	**1 960 305 693**	**20 674 233**	**11 769 024**	**–**	**–**	**17 172 664**	**2 009 921 614**
Equity	**–**	**–**	**–**	**–**	**–**	**141 616 852**	**141 616 852**
Interest rate sensitivity gap before Interest Rate Swaps	**(122 739 914)**	**82 599 936**	**98 861 674**	**74 763 818**	**7 332 287**	**(140 736 331)**	**81 470**
Interest Rate Swaps	**83 874 008**	**–**	**(8 910 282)**	**(68 444 551)**	**(6 600 645)**	**–**	**(81 470)**
Interest rate sensitivity gap after Interest Rate Swaps	**(38 865 906)**	**82 599 936**	**89 951 392**	**6 319 267**	**731 642**	**(140 736 331)**	**–**
Cumulative interest rate sensitivity gap as at 31 March 2021	**(38 865 906)**	**43 734 030**	**133 685 422**	**140 004 689**	**140 736 331**	**–**	**–**
Cumulative interest rate sensitivity gap as at 31 Marcsh 2020	**(138 464 724)**	**(61 961 157)**	**183 195**	**139 089 848**	**139 639 621**	**–**	**–**

35 Credit quality of loans and advances to customers

The credit quality of loans and advances to customers is managed by the Company using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Companies' internal credit rating system. The amount presented are gross of impairment and ECL allowances.

Loans and advances to customers	2021 £'000	2021 %	2020 £'000	2020 %
Satisfactory	**927 038**	**95%**	867 650	92%
Medium risk	**5 660**	**1%**	3 849	0%
Forborne	**–**	**0%**	–	0%
Watchlist - management review	**22 379**	**2%**	40 198	4%
Watchlist - sub-standard	**–**	**0%**	6 071	1%
Watchlist - default	**25 710**	**3%**	29 488	3%
	980 787		**947 256**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

36 Share based payments

Investec plc Share Option Plan 2002 (approved and unapproved)
Allocations under this scheme are granted to all new full-time employees and, on a discretionary basis, certain other employees, including executive directors and executives, in all jurisdictions, excluding South Africa, Botswana, Namibia and Mauritius.

Under this scheme, options are granted, over Investec plc shares, at the prevailing market value and each tranche of the options may only be exercised if the committee is satisfied that the relevant performance conditions have been met.

These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period.

The options in terms of the unapproved plan become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant respectively. They similarly lapse 90 days after each anniversary if the options are not, or cannot be exercised.

The Investec 1 Share Incentive Plan
Under the terms of the plans forfeitable awards of shares or nil cost options are made to select employees. A third of the forfeitable share awards vest on the third, fourth and fifth anniversary, whilst the nil cost options seventy five percent vest on the fourth anniversary and twenty five percent vest on the fith anniversary.

In terms of the options, participants have no rights in respect of these options until they vest and are exercised.

In terms of the forfeitable shares the particants have voting rights, including the right to dividends, until the vesting dates, however the shares cannot be disposed of until the vest.

In terms of conditional forfeitable shares the participants have no dividend or voting rights until vesting.

In terms of the forfeitable shares the particants have voting rights, including the right to dividends, until the vesting dates, however the shares cannot be disposed of until the vest.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

INVP options & shares	2021 Number of share options	2021 Weighted average exercise price	2020 Number of share options	2021 Weighted average exercise price
Outstanding at the beginning of the year	**437 128**	**£0.77**	429 482	£2.27
Exercised during the year	**(74 201)**	**£0.00**	(49 252)	£0.00
Granted during the year	**220 516**	**£0.00**	145 395	£0.00
Lapsed during the year	**(48 103)**	**£3.92**	(88 497)	£5.65
Outstanding at the end of the year	**535 340**	**£0.28**	**437 128**	**£0.77**

N91 options & shares	2021 Number of share options	2021 Weighted average exercise price	2020 Number of share options	2021 Weighted average exercise price
Outstanding at the beginning of the year	**218 585**	**£0.63**	–	£0.00
IAM demerger - issued 16 March 2020	**–**	**£0.00**	222 138	£0.62
Exercised during the year	**(29 051)**	**£0.03**	(3 333)	£0.00
Granted during the year	**–**	**£0.00**	–	£0.00
Lapsed during the year	**(23 785)**	**£3.17**	(220)	£0.00
Outstanding at the end of the year	**165 749**	**£0.37**	**218 585**	**£0.63**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

36 Share based payments (continued)

The exercise price range and weighted average remaining contractual life for INVP options outstanding at 31 March 2021, were as follows:

	2021	2020
Exercise price range	**£3.58 - £4.18**	£3.58 - £4.27
Weighted average remaining contractual life	**0.72 years**	1 year

The exercise price range and weighted average remaining contractual life for INVP LTIPs & LTSAs outstanding at 31 March 2021, were as follows:

	2021	2020
Exercise price range	**£Nil**	£Nil
Weighted average remaining contractual life	**2.16 years**	2.38 years

The exercise price range and weighted average remaining contractual life for N91 options outstanding at 31 March 2021, were as follows:

	2021	2020
Exercise price range	**£2.90 - £3.39**	£2.90 - £3.46
Weighted average remaining contractual life	**0.72 years**	1 year

The exercise price range and weighted average remaining contractual life for INVP LTIPs & LTSAs outstanding at 31 March 2021, were as follows:

	2021	2020
Exercise price range	**£Nil**	£Nil
Weighted average remaining contractual life	**1.63 years**	2.38 years

37 Capital

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves.

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Guernsey Financial Services Commission, ("Regulator") in supervising the Company.

During the past year, no breaches of externally imposed capital requirement were reported to the Regulator by the Company (2020: the same).

The primary objectives of the Company's capital management are:

- to comply with the requirements set by the regulators of the markets where the Company operates;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for its shareholders;
- to maintain a strong capital base to support the development of its business.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may return capital to shareholders or issue capital securities. No changes yet have been made in the objectives, policies and processes from the previous years however, it is under constant scrutiny of the Board.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
CONTINUED

37 **Capital** (continued)

N91 options & shares	2021 Actual £000s	2021 Required £000s	2020 Actual £000s	2021 Required £000s
Common Equity Tier 1 capital	**127 484**	**93 307**	115 065	91 069
Additional Tier 1 capital	**–**	**–**	–	–
Tier 1 capital	**127 484**	**93 307**	115 065	91 069
Tier 2 capital	**25 000**	**n/a**	25 000	n/a
Total regulatory capital	**152 484**	**116 564**	**140 065**	**113 767**
Risk weighted assets	**941 548**		**918 960**	
Common Equity Tier 1 capital	**13.54%**		12.52%	
Tier 1 capital ratio	**13.54%**		12.52%	
Total capital ratio	**16.20%**		15.24%	

The numbers above are sourced from the unaudited 31 March 2021 GFSC Regulatory Return.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium and retained earnings and Tier 2 capital in the form of subordinated debt purchased by Investec Bank (Switzerland) AG, a fellow subsidiary of Investec Bank PLC.

Leverage ratio	2021 £000s	2020 £000s
Tier 1 capital	**127 484**	115 065
Total Exposures	**2 179 512**	2 102 769
Leverage ratio	**5.85%**	**5.47%**

38 **Pension costs**

The pension cost for the year was £742,108 (2020: £733,387). There were no outstanding or prepaid contributions as at 31 March 2021.

The Company operates a money purchase pension scheme. Contributions of the Company were 10%, 13%, 15%, 20% or 27% of staff salaries, depending on age and length of service. Contributions are recorded as an expense under 'Administrative Expenses'. Any unpaid contributions are recorded as a liability.

39 **Parent company, ultimate parent company and controlling party**

INVESTEC BANK (CHANNEL ISLANDS) LIMITED is a wholly owned subsidiary of Investec Bank PLC which is incorporated in the United Kingdom and registered in England and Wales. The company's ultimate parent undertaking and controlling party is Investec PLC, a company incorporated in the United Kingdom, registered in England and Wales and listed on the London Stock Exchange. The company is included within these consolidated group accounts which are publicly available. The registered address of both Investec Bank PLC and Investec PLC is 30 Gresham Street, London, EC2V 7QP.

40 **Post Balance Sheet Events**

The Directors continue to closely monitor the impact of COVID-19 on the operations of the Company, its clients, staff and other stakeholders.

As set out in the Report of the Directors, the Directors consider that the Company is well positioned to successfully manage the risks that the business faces.

There are no other post Balance Sheet events to report.

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