Investec

OUT OF THE ORDINARY

Investec Bank (Channel Islands) Limited

Annual Report and Audited Financial Statements 31 March 2022

Company Registration Number: 5845

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Company Summary

Company Summary
for the year ended 31 March 2022

Directors:	K McKenna (Chairman, Appointed 2 December 2021) B Stewart G Malcolm N Leale (Appointed 15 April 2021) J Moore (Appointed 2 December 2021) S Platts F Carvill I Wohlman (Chairman, Resigned 2 December 2021) P Stevens (Resigned 30 September 2021)
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 2022.

Principal activities
The Company carries on the business of banking and related financial services. The Company has assets under administration amounting to approximately £354m (2021: £466m) 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 £5.5m (2021: £8.0m) 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, 2020, The Banking Supervision (Accounts, Disclosure and Reporting) Rules and Guidance, 2021, 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 2020, and The Licences (Conduct of Business) Rules 2021. 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
Following a review of the liquidity, capital position, profitability, the business model and operational risks facing the business, the directors have a reasonable expectation that the Company will be a going concern for a period up until 30 June 2023. The results for the year ended 31 March 2022 has accordingly been prepared on a going concern basis.

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 16 June 2022.

By order of the Board

DIRECTORS

16 June 2022

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 2022, 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 2022 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, 2020 and The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

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 2023.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

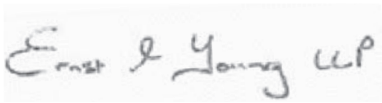
Our approach was as follows:

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, 2020, The Banking Supervision (Accounts, Disclosure and Reporting) Rules and Guidance, 2021, and The Protection of Investors (Bailiwick of Guernsey) Law, 2020) 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 and Paragraph 2.1.4 (1) of The Banking Supervision (Accounts, Disclosure and Reporting) Rules and Guidance, 2021 and Paragraph 4.2 of The Licensees (Conduct of Business) Rules and Guidance, 2021. 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

16 June 2022

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Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Interest receivable	5	37 629 053	36 995 891
Interest payable	6	(5 882 036)	(7 163 146)
Net interest income		**31 747 017**	**29 832 745**
Fees and commission receivable	7	6 263 729	4 986 413
Fees and commission payable	7	(342 983)	(264 101)
Net fees and commission income		**5 920 746**	**4 722 312**
Other operating income	8	4 447 420	605 130
Expected credit impairment (loss)/release	9	(1 533 575)	319 063
Loss on disposal of tangible fixed asset		–	(3 896)
Net loss from financial instruments at fair value through profit or loss		(3 831 934)	(265 940)
Net operating income		**36 749 674**	**35 209 414**
Administrative expenses	10	(20 989 738)	(19 054 527)
Depreciation and amortisation	19, 20	(1 324 745)	(1 513 178)
Profit on ordinary activities before taxation		**14 435 191**	**14 641 709**
Tax on profit on ordinary activities	11	(950 258)	(1 287 258)
Profit for the financial year		**13 484 933**	**13 354 451**
Other comprehensive income			
Items that will be reclassified to the income statement			
Fair value loss on debt instruments at fair value through other comprehensive income		(843 650)	(1 001 662)
Share options exercised		75 617	65 225
Total comprehensive income for the year		**12 716 900**	**12 418 014**

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

The notes on pages 12 to 43 form an integral part of these financial statements.

BALANCE SHEET AT 31 MARCH 2022

	Notes	2022 £	2021 £
Assets			
Loans and advances to banks	12	762 229 655	590 933 238
Debt instruments at fair value through other comprehensive income	13	837 574 257	566 237 124
Loans and advances to customers	14	1 108 071 228	976 313 587
Derivative financial instruments	15	3 867 181	1 269 881
Investment in subsidiary company	17	100 000	100 000
Intangible fixed assets	19	295 602	467 465
Tangible fixed assets and right of use assets	20	8 498 895	9 348 274
Prepayments and accrued income	21	1 110 433	907 418
Deferred taxation assets	11	410 248	485 950
Other assets	22	801 564	5 556 999
Total assets		**2 722 959 063**	**2 151 619 936**
Liabilities			
Deposits by banks	23	28 078 237	20 192 374
Customer accounts	24	2 507 556 770	1 947 289 640
Derivative financial instruments	15	737 992	2 016 695
Current taxation liabilities		672 823	1 230 262
Other liabilities	25	11 796 077	14 007 176
Subordinated liabilities	26	25 284 786	25 266 937
Total liabilities		**2 574 126 685**	**2 010 003 084**
Equity			
Called up share capital	27	14 652 339	14 652 339
Share premium account	28	20 347 661	20 347 661
Retained earnings		110 565 817	102 506 641
Share based payment reserve	28	3 961 083	3 961 083
Fair value reserve	28	(694 522)	149 128
Total equity		**148 832 378**	**141 616 852**
Total liabilities and equity		**2 722 959 063**	**2 151 619 936**

The financial statements on pages 9 to 43 were approved and authorised for issue by the Board of Directors on 16 June 2022 and are signed on its behalf by:

(Director) (Director)

The notes on pages 12 to 43 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £	Share premium £	Share based payment reserve £	Fair value reserve £	Retained earnings £	Total £
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**
Profit for the financial year		–	–	–	–	13 484 933	13 484 933
Net amount reclassified to the income statement on disposal of debt instruments at FVOCI		–	–	–	1 374	(1 374)	–
Movement in value of assets measured at FVOCI		–	–	–	(845 024)	–	(845 024)
Total comprehensive income for the year		**–**	**–**	**–**	**(843 650)**	**13 483 559**	**12 639 909**
Dividend paid	29	–	–	–	–	(5 500 000)	(5 500 000)
Share options exercised in the year		–	–	–	–	75 617	75 617
Balance at 31 March 2022		**14 652 339**	**20 347 661**	**3 961 083**	**(694 522)**	**110 565 817**	**148 832 378**

The notes on pages 12 to 43 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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, 2020,The Banking Supervision (Accounts, Disclosure and Reporting) Rules and Guidance, 2021 and The Licences (Conduct of Business) Rules 2021.

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.

The accounts provide comparative information in respect of the previous period. As a result of a change in presentation of notes 14 and 16 the comparative information has also been presented in line with current year presentational requirements.

3.2 Changes in accounting policies and disclosures

3.2.1 New and amended standards and interpretations

Several amendments and interpretations apply for the first time to accounting periods beginning on or after 1 January 2021, 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk–free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

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

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.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

3.7 Share–based payments (Equity settled transactions) (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

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.

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.

Fixed rate loans

Where loans and advances to customers have a fixed interest rate and the resulting interest rate risk has been hedged using an interest rate swap the loan has been measured at fair value through profit or loss since inception.

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 or loss account.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

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 or loans and advances to customers with a fixed interest rate where the interest rate risk has been hedged using an interest rate swap.

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

Changes in fair value are recorded in profit or 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

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 or 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.

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 or 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

3.13.1 Lease liabilities (continued)

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 payments (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.

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

3.15.2 Climate risk

The Company makes use of reasonable and supportable information to make accounting judgments and estimates. This includes information about the observable impact of the climate change on the current credit risk of clients and the valuation of assets. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty and have limited effect on accounting judgments and estimates for the current period. The following items represent the most significant effects:

- The measurement of expected credit loss considers the ability of borrowers to make contractual payments as and when they become due. Investec performed an assessment of specific sectors that could be most impacted by climate risk in all jurisdictions, specifically focusing on the ability of the clients in these sectors to meet their financing needs. The assessment further included a review of the Investec appetite to fund clients in the respective sectors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

3 Summary of significant accounting policies (continued)

3.15.2 Climate risk (continued)

- The assessment of asset impairment based on value in use and the ability to recognise deferred tax assets are based future expected cashflows. The expected cashflows is based on management's best estimate of the operational results including the near–term impact of climate risk. The Company did not consider any additional adjustments to the cashflows to account for this risk given the timeframe of the cashflows that were considered.
- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.

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 Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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 for accounting periods starting 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.

3.16.6 Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non–mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

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 counterparties 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	
	2022 £m	2021 £m
Loans and advances to banks	762	591
Debt instruments at FVOCI	838	566
Loans and advances to customers	1 112	982
Derivative financial instruments	4	1
Other assets	11	17
Total on balance sheet credit exposures	**2 727**	**2 157**
Undrawn loans	92	92
Gross off–balance sheet exposure	**92**	**92**
Total credit exposures	**2 819**	**2 249**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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 2022		As at 31 March 2021	
	Limit £m	Exposure £m	Limit £m	Exposure £m
AAA	–	–	–	–
AA+	–	–	–	–
AA	60	31	20	–
AA–	115	84	280	106
A+	366	48	291	64
A	210	158	155	62
A–	233	137	238	110
BBB+ *	497	300	497	246
BBB	–	–	–	–
BBB–	–	–	–	–
BB+	–	–	–	–
BB	–	–	–	–
BB–	45	4	45	3
	1 526	**762**	**1 526**	**591**

*Of the total BBB+ rated exposure of £300m, £264m relates to the Company's parent, Investec Bank plc. Of this exposure £166m is secured (2021: £246m / £117m).

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 2022
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.

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 2022. 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 2022 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 2022
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 2022			As at 31 March 2021		
Currency	**MPM**	**MPM Limit**	**%**	MPM	MPM Limit	%
GBP	(1 031)	1 500	69%	(894)	1 500	60%
USD	(2 010)	2 220	91%	(1 232)	2 220	56%
JPY	–	50	0%	–	50	0%
EURO	(15)	500	3%	14	500	3%
AUD	–	50	0%	(1)	50	1%
CHF	–	50	0%	–	50	0%
Others	–	50	0%	7	50	13%
Overall	**3 056**	**3 600**	**85%**	**2 147**	**3 600**	**60%**

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 2022 was 310% (2021: 274%).

Regulatory liquidity is measured by the Net Stable Funding (NSFR) ratio. The Company is required to maintain a minimum NSFR ratio of 100%. The NSFR reported to the Guernsey Financial Services Commission (GFSC) at 31 March 2022 was 165% (2021: 155%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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 2022	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	14 288 854	9 639 917	4 173 792	–	–	28 102 563
Customer accounts	1 873 331 080	544 302 224	63 665 663	4 729 452	23 988 718	2 510 017 137
Derivative financial instruments	700 793	–	–	–	37 198	737 991
Subordinated debt	–	–	–	–	25 284 786	25 284 786
Loan commitments	91 628 199	–	–	–	–	91 628 199

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

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 2022.

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 2022 Effect on Profit and Equity £	31 March 2021 Effect on Profit and Equity £
USD	5%	2 065	(1 408)
EUR	5%	14 468	10 536
ZAR	5%	1 042	3 110

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 2022
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5 Interest and similar income

	2022 £	2021 £
In respect of:		
Cash and short term funds	94 314	130 439
Due from banks	1 527 291	2 622 477
Loans and advances to customers	34 485 902	31 805 917
Negative interest received on customer deposits	859 970	859 123
Debt instruments at fair value through other comprehensive income	661 576	1 577 935
	37 629 053	**36 995 891**

6 Interest and similar expense

	2022 £	2021 £
In respect of:		
Deposits by banks	(108 768)	(247 126)
Customer accounts	(4 291 281)	(5 355 158)
Unwinding of lease liabilities	(144 685)	(153 250)
Subordinated debt	(1 329 643)	(1 333 302)
Negative interest paid on debt instruments at fair value through other comprehensive income	(7 659)	(74 310)
	(5 882 036)	**(7 163 146)**

7 Net fees and commission income

	2022 £	2021 £
Foreign exchange	2 873 747	2 782 920
Credit related fees and commissions	854 393	368 385
Bank charges and commissions	1 697 630	1 259 700
Custody and safekeeping charges	837 959	575 408
Total fees and commission income	**6 263 729**	**4 986 413**
Other fees paid	(342 983)	(264 101)
Total fees and commission expense	**(342 983)**	**(264 101)**
Net fees and commission income	**5 920 746**	**4 722 312**

8 Other operating income

	2022 £	2021 £
Net trading income		
Foreign exchange trading income	413 940	383 958
Net change in fair value of Foreign Exchange contracts and Interest Rate Swaps	3 876 003	53 564
	4 289 943	**437 522**
Other		
Rental income received	157 477	167 608
	157 477	**167 608**
Total other operating income	**4 447 420**	**605 130**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

9 Expected credit losses impairment release

	2022 £	2021 £
Expected credit losses impairment charges has arisen on the following line items:		
Movement in ECL on loans and advances to customers	1 606 206	373 228
Movement in ECL on other balance sheet assets	206	63
Movement in ECL on off–balance sheet commitments	32 130	(54 940)
Loans and advances to customers (written off)/recovered	(3 172 117)	712
Total expected credit impairment (loss)/release	**(1 533 575)**	**319 063**

10 Administrative expenses

	2022 £	2021 £
Staff costs	12 332 014	11 337 241
Recharges of group central costs	4 531 589	3 421 813
IT and office services	1 621 861	1 598 529
Marketing, travel and entertainment	286 503	144 131
Accommodation	376 218	337 969
Rental expense	46 854	29 516
Auditor's remuneration – current year audit fees	214 731	206 127
Auditor's remuneration – other services	21 663	33 164
Directors' fees	85 000	90 000
Legal and consulting fees	1 177 995	1 475 331
Other professional fees including GFSC fees	234 326	223 939
Operating losses	17 232	86 966
Other costs	43 752	69 801
	20 989 738	**19 054 527**

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

	2022 £	2021 £
Guernsey income tax based on profits for the year	877 499	1 295 688
Deferred tax charge	75 702	–
Over accrual in prior year	(2 943)	(8 430)
Tax charge reported in the statement of comprehensive income	**950 258**	**1 287 258**

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.

	2022 £	2021 £
Profit on ordinary activities	14 435 191	14 641 709
	14 435 191	**14 641 709**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

11 **Taxation** (continued)

	2022 **£**	2021 £
Profit on ordinary activities at intermediate rate of tax at 10%	1 443 519	1 464 171
Add tax effect of disallowable expenditure:		
– Guernsey (net)	(431 395)	58 573
Less tax effect of Guernsey allowable deductions:		
– Capital allowances	(35 625)	(44 687)
– Income taxable at 0%	(99 000)	(182 072)
Current tax charge for the year	**877 499**	**1 295 985**

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

Deferred Taxation

	2022 **£**	2021 £
Deferred taxation assets	**410 248**	**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**

	2022 **£**	2021 £
Due from Investec Bank PLC – secured	165 665 457	93 282 257
Due from Investec Bank PLC – unsecured	98 412 929	116 876 818
Due from other group companies	40 555 067	38 985 755
Due from banks	457 596 531	341 788 823
Loans and advances to banks	**762 229 984**	**590 933 653**
Less: Expected Credit Loss Allowance	(329)	(415)
	762 229 655	**590 933 238**

Of the total 'Loans and advances to banks', £264m (34.6%) was due from the Company's parent company Investec Bank plc (2021: £210m).

The decrease in the ECL allowance of £86 during the year ended 31 March 2022 (2021: reduction of £63) was recognised in the Statement of Comprehensive Income.

13 **Debt securities**

	2022 **£**	2021 £
Debt instruments at fair value through other comprehensive income	837 574 257	566 237 124
Total Debt Securities	**837 574 257**	**566 237 124**

At 31 March 2022 there was no ECL allowance on debt instruments at fair value through other comprehensive income (2021: £Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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14 Loans and advances to customers

	2022 £	2021 £
Commercial property	265 348 629	240 684 680
Other – secured	133 126 867	131 221 065
Residential mortgages	713 236 436	609 783 803
Unsecured	335 988	208 232
Gross loans and advances to customers	**1 112 047 920**	**981 897 780**
Less: Expected Credit Loss Allowance (IFRS9)	(3 976 692)	(5 584 193)
	1 108 071 228	**976 313 587**

By Accounting Classification:

	2022 £	2021 £
Loans and advances to customers held at Amortised Cost	1 030 607 616	895 353 604
Loans and advances to customers held at Fair Value through profit or loss	81 440 304	86 544 176
Gross loans and advances to customers	**1 112 047 920**	**981 897 780**
Less: Expected Credit Loss Allowance (IFRS9)	(3 976 692)	(5 584 193)
	1 108 071 228	**976 313 587**

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', 98.8% (£1,095m) was fully secured by collateral (2021: £949m). 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 held at Amortised Cost and asset quality is shown in the table below:

	31 March 2022 £000s	31 March 2021 £000s
Gross core loans and advances to customers under IFRS9	**1 030 608**	**895 354**
Gross exposure subject to ECL (£000)	**1 030 608**	**895 354**
Stage 1	993 906	839 019
Stage 2	19 411	30 613
Stage 3	17 291	25 722
Gross exposure (%)		
Stage 1	96.4%	93.7%
Stage 2	1.9%	3.4%
Stage 3	1.7%	2.9%
IFRS9 ECL (£000)	**3 977**	**5 584**
Stage 1	980	453
Stage 2	1 791	1 242
Stage 3	1 206	3 889
ECL coverage ratio (%)	**0.4%**	**0.6%**
Stage 1	0.1%	0.1%
Stage 2	9.2%	4.1%
Stage 3	7.0%	15.1%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

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 held at Amortised Cost 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 2021	**839 019**	**30 613**	**25 722**	**895 354**
New assets originated	203 821	–	–	203 821
Assets repaid (excluding write–offs)	(67 183)	(4 476)	(19 783)	(91 442)
Transfers to Stage 1	8 210	(8 210)	–	–
Transfers to Stage 2	(6 312)	6 312	–	–
Transfers to Stage 3	(9 539)	(4 568)	14 107	–
Other movements	25 890	(260)	417	26 047
Amounts written–off	–	–	(3 172)	(3 172)
Gross carrying amount as at 31 March 2022	**993 906**	**19 411**	**17 291**	**1 030 608**

Changes in ECL Allowance (£000s):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April 2021	**453**	**1 242**	**3 889**	**5 584**
New assets originated	306	480	–	786
Assets repaid (excluding write–offs)	(46)	–	(73)	(119)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(1)	65	–	64
Transfers to Stage 3	–	–	131	131
Other movements	268	4	431	703
Amounts written–off	–	–	(3 172)	(3 172)
ECL allowance as at 31 March 2022	**980**	**1 791**	**1 206**	**3 977**

Changes in Gross Carrying Amount (£000s):

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 April 2020	**794 840**	**9 398**	**70 173**	**874 411**
New assets originated	176 678	1 476	–	178 154
Assets repaid (excluding write–offs)	(116 778)	–	(44 379)	(161 157)
Transfers to Stage 1	775	(775)	–	–
Transfers to Stage 2	(20 934)	20 934	–	–
Transfers to Stage 3	–	1	(1)	–
Other movements	4 438	(421)	(71)	3 946
Amounts written–off	–	–	–	–
Gross carrying amount as at 31 March 2021	**839 019**	**30 613**	**25 722**	**895 354**

Changes in ECL Allowance (£000s):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April 2020	**929**	**780**	**4 264**	**5 973**
New assets originated	175	–	–	175
Assets repaid (excluding write–offs)	(534)	–	(2 007)	(2 541)
Transfers to Stage 1	1	(24)	–	(23)
Transfers to Stage 2	(16)	19	–	3
Transfers to Stage 3	–	(1)	14	13
Other movements	(102)	468	1 618	1 984
Amounts written–off	–	–	–	–
ECL allowance as at 31 March 2021	**453**	**1 242**	**3 889**	**5 584**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
CONTINUED

14 Loans and advances to customers (continued)

Analysis of Loans and advances to customers by risk category:

As at 31 March 2022	Stage 1		Stage 2		Stage 3		FVTPL	Total	
£000s	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	Exposure	ECL
Commercial Property	**220 083**	**(262)**	**16 530**	**(1 730)**	**–**	**–**	**28 736**	**265 349**	**(1 992)**
Investment	179 147	(188)	10 027	(755)	–	–	28 736	217 910	(943)
Development	–	–	–	–	–	–	–	–	–
Planning	–	–	5 605	(975)	–	–	–	5 605	(975)
Other	40 936	(74)	898	–	–	–	–	41 834	(74)
Residential Property	**645 526**	**(563)**	**2 881**	**(61)**	**17 291**	**(1 206)**	**47 538**	**713 236**	**(1 830)**
Mortgages	111 713	(34)	–	–	–	–	2 360	114 073	(34)
Investment	502 003	(453)	2 881	(61)	17 291	(1 206)	45 178	567 353	(1 720)
Development	25 789	(72)	–	–	–	–	–	25 789	(72)
Planning	–	–	–	–	–	–	–	–	–
Other	6 021	(4)	–	–	–	–	–	6 021	(4)
Other Secured Loans	**127 961**	**(155)**	**–**	**–**	**–**	**–**	**5 166**	**133 127**	**(155)**
Growth & Acquisition Finance	10 391	(42)	–	–	–	–	–	10 391	(42)
Leverage/Acquisition Finance	–	–	–	–	–	–	–	–	–
Non Property Structured Lending	89 040	(64)	–	–	–	–	–	89 040	(64)
Other corporate lending	11 359	(46)	–	–	–	–	5 166	16 525	(46)
Other	17 171	(3)	–	–	–	–	–	17 171	(3)
Unsecured Loans	**336**	**–**	**–**	**–**	**–**	**–**	**–**	**336**	**–**
Unsecured Loans	336	–	–	–	–	–	–	336	–
Unallocated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**993 906**	**(980)**	**19 411**	**(1 791)**	**17 291**	**(1 206)**	**81 440**	**1 112 048**	**(3 977)**

As at 31 March 2021	Stage 1		Stage 2		Stage 3		FVTPL	Total	
£000s	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	Exposure	ECL
Commercial Property	**181 896**	**(23)**	**13 359**	**(1 241)**	**22 956**	**(3 260)**	**22 474**	**240 685**	**(4 524)**
Investment	147 144	(10)	7 754	(18)	22 956	(3 260)	22 474	200 328	(3 288)
Development	1 715	–	–	–	–	–	–	1 715	–
Planning	33 037	(13)	–	–	–	–	–	33 037	(13)
Other	–	–	5 605	(1 223)	–	–	–	5 605	(1 223)
Residential Property	**535 426**	**(144)**	**12 842**	**(1)**	**2 766**	**(629)**	**58 750**	**609 784**	**(774)**
Mortgages	83 770	(24)	–	–	–	–	3 299	87 069	(24)
Investment	436 227	(115)	12 842	(1)	2 766	(629)	44 670	496 505	(745)
Development	8 988	(5)	–	–	–	–	10 781	19 769	(5)
Planning	–	–	–	–	–	–	–	–	–
Other	6 441	–	–	–	–	–	–	6 441	–
Other Secured Loans	**121 489**	**(286)**	**4 412**	**–**	**–**	**–**	**5 320**	**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	6 292	(93)	4 412	–	–	–	5 320	16 024	(93)
Other	25 744	(2)	–	–	–	–	–	25 744	(2)
Unsecured Loans	**208**	**–**	**–**	**–**	**–**	**–**	**–**	**208**	**–**
Unsecured Loans	208	–	–	–	–	–	–	208	–
Unallocated	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**839 019**	**(453)**	**30 613**	**(1 242)**	**25 722**	**(3 889)**	**86 544**	**981 898**	**(5 584)**

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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 2022 £	Liabilities 2022 £	Notional 2022 £
Derivatives held for trading			
Forward foreign exchange contracts	706 037	(700 793)	189 979 591
Interest rate swaps	3 161 144	(37 199)	84 309 150
	3 867 181	**(737 992)**	**274 288 741**

	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**

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 2022
CONTINUED

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 and loans and advances to customers with a fixed interest rate where the resulting interest rate risk has been hedged using an interest rate swap.

Level 2 Loans and advances to Customers comprises a portfolio of fixed rate loans. The valuation of these loans is calculated using a present value model incoporating forward rate interest curves.

	31 March 2022 £	Level 1 £	Level 2 £	Level 3 £
Assets classified as fair value through profit or loss				
Forward foreign exchange contracts	706 037	–	706 037	–
Interest rate swap contracts	3 161 144	–	3 161 144	–
Loans to customers at fair value through profit or loss	81 440 304	–	80 732 304	708 000
Assets classified as fair value through other comprehensive income				
Treasury Bills	837 574 257	837 574 257	–	–
Liabilities classified as fair value through profit or loss				
Forward foreign exchange contracts	(700 793)	–	(700 793)	–
Interest rate swap contracts	(37 199)	–	(37 199)	–

	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	86 544 176	–	85 432 947	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)	–

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 2022, 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)

	2022 £	2021 £
Financial assets at fair value through profit or loss at 1 April	1 111 229	1 355 860
Advances	87 818	21 309
Fair value movement	(491 047)	(265 940)
Financial assets at fair value through profit or loss at 31 March	**708 000**	**1 111 229**

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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.

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
2022	**£**	**£**	**£**	**£**	**£**
Interest Rate Swap	3 123 945	3 123 945	3 876 042	(2 495 150)	(3 340 887)
2021	**£**	**£**	**£**	**£**	**£**
Interest Rate Swap	(752 097)	(752 097)	438 711	845 738	(361 516)

19 Intangible fixed assets

	Computer Software £
Cost	
As at 31 March 2021	4 709 921
Additions	142 285
Disposals	(6 045)
As at 31 March 2022	**4 846 161**
Amortisation and impairment	
As at 31 March 2021	4 242 456
Charge for the year	314 148
Disposals	(6 045)
As at 31 March 2022	**4 550 559**
Net book value	
As at 31 March 2021	467 465
As at 31 March 2022	**295 602**

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20 Tangible fixed assets and right of use assets

	Right of Use Assets – Buildings £	Leasehold Improvements £	Office Equipment £	Total £
Cost				
As at 31 March 2021	10 049 757	1 704 400	1 492 452	13 246 608
Additions	51 907	18 373	90 938	161 218
Disposals	(39 522)	–	(26 200)	(65 722)
As at 31 March 2022	**10 062 142**	**1 722 773**	**1 557 190**	**13 342 104**
Depreciation				
As at 31 March 2021	1 437 369	1 250 238	1 210 726	3 898 334
Charge for the year	717 090	140 769	152 738	1 010 597
On Disposals	(39 522)	–	(26 200)	(65 722)
As at 31 March 2022	**2 114 937**	**1 391 007**	**1 337 264**	**4 843 209**
Net book value				
As at 31 March 2021	8 612 387	454 162	281 726	9 348 274
As at 31 March 2022	**7 947 204**	**331 766**	**219 926**	**8 498 895**

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

	2022 £	2021 £
At 31 March 2021	8 788 267	9 239 714
Accretion of interest	144 685	153 250
Remeasurement at rent review	51 907	186 830
Payments	(791 752)	(791 527)
As at 31 March 2022	**8 193 107**	**8 788 267**

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

The Company had total cash outflows for leases of £791,752 (2021: £791,527).

21 Prepayments and accrued income

	2022 £	2021 £
Prepaid expenses	926 955	745 143
Loan Fees due from Clients	183 478	162 275
	1 110 433	**907 418**

22 Other Assets

	2022 £	2021 £
Transaction clearing	386 195	5 297 462
Other assets	415 369	259 537
	801 564	**5 556 999**

23 Deposits by banks

	2022 £	2021 £
Due to fellow subsidiaries	28 078 237	20 192 374
	28 078 237	**20 192 374**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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24 Customer accounts

	2022 £	2021 £
Current accounts	1 668 278 210	1 335 761 829
Notice and fixed accounts	839 278 560	611 527 811
	2 507 556 770	**1 947 289 640**

25 Other liabilities

	2022 £	2021 £
Staff expenses accrued	1 781 125	1 649 553
Due to holding company	416 221	174 692
ECL allowance on undrawn loans	31 288	63 417
Lease liabilities (Note 20)	8 193 107	8 788 267
Other liabilities	1 374 336	3 331 247
	11 796 077	**14 007 176**

Other liabilities includes £31,288 (2021: £63,417 in respect of an ECL allowance on undrawn loans (Note 30). The decrease in the ECL allowance of £32,129 during the year ended 31 March 2022 (2021: increase of £54,940) was recognised in the Statement of Comprehensive Income.

26 Subordinated debt

	2022 £	2021 £
Subordinated debt	**25 284 786**	**25 266 937**

In September 2018 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

	2022 £	2021 £
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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29 Dividends

	2022 £	2021 £
Dividend declared and paid during the year	**5 500 000**	**8 000 000**
Dividend per share	**£0.38**	**£0.55**

30 Commitments and contingent liabilities

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

	2022 £	2021 £
(i) Forward Foreign Exchange Contracts (Nominal Value)		
Falling due:		
Within one year	**189 979 591**	**375 450 367**
(ii) Undrawn loans		
Falling due:		
Within one year	**91 628 199**	**91 830 176**

Included in other liabilities in Note 25 is an amount of £31,288 in respect of stage 1 ECL allowances on undrawn loans (2021: £63,417). The decrease in the stage 1 ECL allowance of £32,130 during the year ended 31 March 2022 was recognised in the Statement of comprehensive income (2021: increase of £54,940).

31 Geographical analysis

	Assets £ 2022	Liabilities & Shareholders' Funds £ 2022	Assets £ 2021	Liabilities & Shareholders' Funds £ 2021
Channel Islands	**615 403 376**	**1 639 737 078**	511 653 054	1 250 765 466
United Kingdom	**1 023 145 197**	**267 922 182**	819 259 663	255 559 559
EU Member States	**269 914 817**	**30 511 085**	258 510 312	25 836 115
United States	**520 576 001**	**17 383 597**	305 105 924	4 014 881
Other	**293 919 672**	**767 405 121**	257 090 983	615 443 915
	2 722 959 063	**2 722 959 063**	**2 151 619 936**	**2 151 619 936**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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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 2022	Sterling £	%	US Dollar £	%	Euro £	%	Other Currencies £	%	Total £
Assets	1 619 061 990	59%	966 091 585	35%	98 507 466	4%	39 298 022	1%	2 722 959 063
Liabilities including shareholders' funds	(1 618 899 081)	59%	(966 125 897)	35%	(98 616 878)	4%	(39 317 207)	1%	(2 722 959 063)
Net assets/ (liabilities)	**162 909**		**(34 312)**		**(109 412)**		**(19 185)**		**–**
Off balance sheet									
Assets	94 894 390	50%	55 411 648	29%	25 332 970	13%	14 319 165	8%	189 958 173
Liabilities	(94 033 213)	49%	(55 990 431)	29%	(25 798 540)	14%	(14 157 407)	7%	(189 979 591)
Net off balance sheet assets/ (liabilities)	**861 177**		**(578 783)**		**(465 570)**		**161 758**		**(21 418)**

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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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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 2022	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	505 543 437	226 315 681	30 370 537	–	–	–	762 229 655
Loans and advances to customers	14 730 088	43 050 500	53 959 449	92 125 303	830 527 517	73 678 371	1 108 071 228
Debt securities	299 616 108	150 819 683	153 982 754	150 851 745	58 504 728	23 799 239	837 574 257
Liabilities							
Deposits by banks	(14 288 831)	(9 628 950)	(4 160 456)	–	–	–	(28 078 237)
Customer accounts	(1 873 318 537)	(543 558 545)	(63 477 542)	(4 706 702)	(22 480 047)	(15 397)	(2 507 556 770)
Lease liabilities	(180 021)	(26 407)	(202 715)	(403 627)	(2 914 407)	(5 351 660)	(9 078 837)
Subordinated debt	–	–	–	–	(25 284 786)	–	(25 284 786)
Net position	**(1 067 897 756)**	**(133 028 038)**	**170 472 028**	**237 866 719**	**838 353 005**	**92 110 554**	**137 876 511**

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	38 739 729	28 885 070	34 199 509	98 410 489	698 673 513	77 405 277	976 313 587
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)	(9 816 198)
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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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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 2022. 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%	903 224 273	153 982 754	135 613 424	4 041 606	783 607	–	1 197 645 664
Fixed rate – above 3%	15 626 025	–	2 926 914	66 953 424	11 305 343	–	96 811 706
Floating rate – up to 3%	591 104 458	–	149 402	–	–	–	591 253 860
Floating rate – above 3%	826 202 948	–	–	–	–	–	826 202 948
Non–interest bearing	–	–	–	–	–	11 044 885	11 044 885
Total Assets	**2 336 157 704**	**153 982 754**	**138 689 740**	**70 995 030**	**12 088 950**	**11 044 885**	**2 722 959 063**
Liabilities							
Fixed rate – up to 3%	244 083 869	9 627 461	11 851 309	106 068	–	–	265 668 707
Fixed rate – above 3%	–	–	134 454	–	–	–	134 454
Floating rate – up to 3%	2 269 719 001	–	–	–	–	–	2 269 719 001
Floating rate – above 3%	25 577 634	–	–	–	–	–	25 577 634
Non–interest bearing	–	–	–	–	–	12 965 289	12 965 289
Total Liabilities	**2 539 380 504**	**9 627 461**	**11 985 763**	**106 068**	**–**	**12 965 289**	**2 574 065 085**
Equity	**–**	**–**	**–**	**–**	**–**	**148 832 378**	**148 832 378**
Interest rate sensitivity gap before Interest Rate Swaps	**(203 222 800)**	**144 355 293**	**126 703 977**	**70 888 962**	**12 088 950**	**(150 752 782)**	**61 600**
Interest Rate Swaps	**84 346 349**	**–**	**(4 357 448)**	**(68 328 292)**	**(11 722 209)**	**–**	**(61 600)**
Interest rate sensitivity gap after Interest Rate Swaps	**(118 876 451)**	**144 355 293**	**122 346 529**	**2 560 670**	**366 741**	**(150 752 782)**	**–**
Cumulative interest rate sensitivity gap as at 31 March 2022	**(118 876 451)**	**25 478 842**	**147 825 371**	**150 386 041**	**150 752 782**	**–**	**–**
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**	**–**	**–**

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 Company's internal credit rating system. The amounts presented are gross of impairment and ECL allowances.

Loans and advances to customers	**2022 £'000**	**2022 %**	2021 £'000	2021 %
Satisfactory	**1 073 569**	**97%**	927 038	95%
Medium risk	**3 718**	**0%**	5 660	1%
Forborne	**–**	**0%**	–	0%
Watchlist – management review	**22 007**	**2%**	23 490	2%
Watchlist – sub–standard	**–**	**0%**	–	0%
Watchlist – default	**12 754**	**1%**	25 710	3%
	1 112 048		**981 898**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
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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 fifth 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 participants 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 participants 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	2022 Number of share options	2022 Weighted average exercise price	2021 Number of share options	2021 Weighted average exercise price
Outstanding at the beginning of the year	**535 340**	**£0.28**	437 128	£0.77
Re-location of employees during the year	**(114)**	**£0.00**	–	£0.00
Exercised during the year	**(63 730)**	**£0.00**	(74 201)	£0.00
Granted during the year	**362 830**	**£0.08**	220 516	£0.00
Lapsed during the year	**(37 472)**	**£1.92**	(48 103)	£3.92
Outstanding at the end of the year	**796 854**	**£0.09**	**535 340**	**£0.28**

N91 options & shares	2022 Number of share options	2022 Weighted average exercise price	2021 Number of share options	2021 Weighted average exercise price
Outstanding at the beginning of the year	**165 749**	**£0.37**	218 585	£0.63
Re-location of employees during the year	**800**	**£0.00**	–	£0.00
Exercised during the year	**(31 201)**	**£0.00**	(29 051)	£0.03
Granted during the year	**–**	**£0.00**	–	£0.00
Lapsed during the year	**(17 381)**	**£1.68**	(23 785)	£3.17
Outstanding at the end of the year	**117 167**	**£0.27**	165 749	£0.37

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36 **Share based payments** (continued)

The exercise price range and weighted average remaining contractual life for INVP options outstanding at 31 March 2022, were as follows:

	2022	2021
Exercise price range	**£3.58 – £4.18**	£3.58 – £4.18
Weighted average remaining contractual life	**0.22 years**	0.72 years

The exercise price range and weighted average remaining contractual life for INVP LTIPs & LTSAs outstanding at 31 March 2022, were as follows:

	2022	2021
Exercise price range	**£Nil**	£Nil
Weighted average remaining contractual life	**2.14 years**	2.16 years

The exercise price range and weighted average remaining contractual life for N91 options outstanding at 31 March 2022, were as follows:

	2022	2021
Exercise price range	**£2.90 – £3.39**	£2.90 – £3.39
Weighted average remaining contractual life	**0.25 years**	0.72 years

The exercise price range and weighted average remaining contractual life for INVP LTIPs & LTSAs outstanding at 31 March 2022, were as follows:

	2022	2021
Exercise price range	**£Nil**	£Nil
Weighted average remaining contractual life	**0.96 years**	1.63 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 (2021: 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.

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37 **Capital** (continued)

Regulatory capital - Unaudited	2022 Actual £000s	2022 Required £000s	2021 Actual £000s	2021 Required £000s
Common Equity Tier 1 capital	**134 878**	**103 452**	127 484	93 307
Additional Tier 1 capital	**–**	**–**	–	–
Tier 1 capital	**134 878**	**103 452**	127 484	93 307
Tier 2 capital	**25 000**	**n/a**	25 000	n/a
Total regulatory capital	**159 878**	**129 237**	**152 484**	**116 564**
Risk weighted assets	**1 043 914**		**941 548**	
Common Equity Tier 1 capital	**12.92%**		13.54%	
Tier 1 capital ratio	**12.92%**		13.54%	
Total capital ratio	**15.32%**		16.20%	

The numbers above are sourced from the unaudited 31 March 2022 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	2022 £000s	2021 £000s
Tier 1 capital	**134 878**	127 484
Total Exposures	**2 747 801**	2 179 512
Leverage ratio	**4.91%**	**5.85%**

38 **Pension costs**

The pension cost for the year was £779,349 (2021: £742,108). There were no outstanding or prepaid contributions as at 31 March 2022.

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**

There are no post Balance Sheet events to report.

Investec