

Investec Bank (Channel Islands) Limited

Annual report and audited
financial statements
31 March 2023

Company Registration Number: 5845



CONTENTS

01	Company Summary	Company Summary	3
02	Reports	Report of the Directors Independent Auditor's Report	5 6
03	Financial Statements	Statement of Comprehensive Income Balance Sheet Statement of Changes in Equity Notes to the Financial Statements	9 10 11 12

Company Summary



Company Summary

for the year ended 31 March 2023

Directors:	K McKenna (Chairman) B Stewart G Malcolm N Leale J Moore S Platts F Carvill
Auditors:	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey
Registered Office:	Gategny Court Gategny Esplanade St Peter Port Guernsey Telephone: (01481) 723506

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 2023.

Principal activities

The Company carries on the business of banking and related financial services. The Company has assets under administration amounting to approximately £327m (2022: £354m) 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 £23.5m (2022: £5.5m) 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 2024. The results for the year ended 31 March 2023 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 21 June 2023.

By order of the Board

DIRECTORS

Date

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

Opinion

We have audited the financial statements of Investec Bank (Channel Islands) Limited (the "bank") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 41, 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 2023 and of its 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 properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Banking Supervision (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. We are independent of the bank in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK 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 2024 from when the financial statements are authorised for issue.

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 in relation to which 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
- the financial statements are not in agreement with the bank's accounting records and returns; 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 CONTINUED**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the bank and determined that the most significant are those that relate to the reporting framework (FRS 101 "Reduced Disclosure Framework, The Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 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, inquiries of internal legal counsel, those charged with governance, executive management, compliance and internal audit and performance of journal entry testing meeting our defined risk criteria and our understanding of the business.
- The bank operates in the regulated banking industry. As such the Audit Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included use of specialists where appropriate.

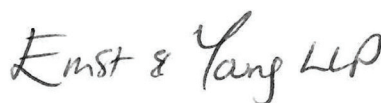
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at

<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

21 June 2023

Financial Statements



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Interest receivable	5	98 883 570	37 629 053
Interest payable	6	(31 169 988)	(5 882 036)
Net interest income		67 713 582	31 747 017
Fees and commission receivable	7	6 831 437	6 263 729
Fees and commission payable	7	(421 163)	(342 983)
Net fees and commission income		6 410 274	5 920 746
Other operating income	8	3 577 132	4 447 420
Expected credit impairment loss	9	(735 641)	(1 533 575)
Net loss from financial instruments at fair value through profit or loss		(3 407 756)	(3 831 934)
Net operating income		73 557 591	36 749 674
Administrative expenses	10	(24 373 730)	(20 989 738)
Depreciation and amortisation	20, 21	(1 220 963)	(1 324 745)
Profit on ordinary activities before taxation		47 962 898	14 435 191
Tax on profit on ordinary activities	11	(4 788 352)	(950 258)
Profit for the financial year		43 174 546	13 484 933
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 (FVOCI)		(374 857)	(843 650)
Share options exercised		232 448	75 617
Total comprehensive income for the year		43 032 137	12 716 900

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 2023

	Notes	2023 £	2022 £
Assets			
Loans and advances to banks	12	658 208 055	719 109 312
Reverse repurchase agreements	13	153 075 976	43 120 343
Debt instruments	14	807 888 055	837 574 257
<i>of which is pledged as collateral</i>	13	68 029 033	–
Loans and advances to customers	15	1 110 932 081	1 108 071 228
Derivative financial instruments	16	7 523 334	3 867 181
Investment in subsidiary company	18	100 000	100 000
Intangible fixed assets	20	174 086	295 602
Tangible fixed assets and right of use assets	21	9 540 894	8 498 895
Prepayments and accrued income	22	1 303 855	1 110 433
Deferred taxation assets	11	308 605	410 248
Other assets	23	193 925	801 564
Total assets		2 749 248 866	2 722 959 063
Liabilities			
Deposits by banks	24	36 707 853	28 078 237
Customer accounts	25	2 499 151 224	2 507 556 770
Derivative financial instruments	16	1 171 932	737 992
Current taxation liabilities		4 665 233	672 823
Other liabilities	26	13 767 463	11 796 077
Subordinated liabilities	27	25 459 976	25 284 786
Total liabilities		2 580 923 681	2 574 126 685
Equity			
Called up share capital	28	14 652 339	14 652 339
Share premium account	29	20 347 661	20 347 661
Retained earnings		130 433 481	110 565 817
Share based payment reserve		3 961 083	3 961 083
Fair value reserve	29	(1 069 379)	(694 522)
Total equity		168 325 185	148 832 378
Total liabilities and equity		2 749 248 866	2 722 959 063

The financial statements on pages 9 to 43 were approved and authorised for issue by the Board of Directors on 21 June 2023 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 2023

	Notes	Share capital £	Share premium £	Share based payment reserve £	Fair value reserve £	Retained earnings £	Total £
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	30	–	–	–	–	(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
Profit for the financial year		–	–	–	–	43 174 546	43 174 546
Net amount reclassified to the income statement on disposal of debt instruments at FVOCI		–	–	–	39 330	(39 330)	–
Movement in value of assets measured at FVOCI		–	–	–	(414 187)	–	(414 187)
Total comprehensive income for the year		–	–	–	(374 857)	43 135 216	42 760 359
Dividend paid	30	–	–	–	–	(23 500 000)	(23 500 000)
Share options exercised in the year		–	–	–	–	232 448	232 448
Balance at 31 March 2023		14 652 339	20 347 661	3 961 083	(1 069 379)	130 433 481	168 325 185

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 2023

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 Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 2020 and The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

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 40.

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*.

3.1.1 Going Concern

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.

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 2024. The results for the year ended 31 March 2023 has accordingly been prepared on a going concern basis. The Directors consider the use of the going concern basis of accounting as appropriate.

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 2022, but do not have an impact on the Company's financial statements. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

3.3 Foreign currency transactions

The presentation and functional currency of the Company is Sterling.

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

3.4 Investment in subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies (continued)****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	5	20%
Office equipment – general	5	20%
Office equipment – computer equipment	3	33%
Intangible assets	3	33%

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

3.5.1 Right of use assets

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

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

3.6 Impairment of non-financial assets

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

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

3.7 Share-based payments (Equity settled transactions)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies (continued)****3.7 Share-based payments (Equity settled transactions) (continued)**

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 2023
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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies (continued)****3.9.2.4 Debt instruments at amortised cost**

Where the Company has purchased quoted debt securities with the intention to hold them to maturity, these debt securities are held at amortised cost using the effective interest method.

3.9.2.5 Reverse repurchase agreements

Securities purchased under agreements to resell at a future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

3.9.2.6 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

3.9.2.7 Subordinated debt

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost (see Note 27).

3.9.2.8 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.

3.9.2.9 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 the 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 31.

3.9.2.10 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies** (continued)**3.10 Derecognition of financial assets and liabilities** (continued)**3.10.1 Derecognition due to substantial modification of terms and conditions** (continued)

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

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

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

3.10.2 Derecognition other than for substantial modification

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

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

3.11 Impairment of financial assets**3.11.1 Overview of the ECL principles**

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

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

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

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

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 (Note 3.11.2). 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 (Note 3.11.2).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
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.
- Four scenarios Four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases. The downside 1 - inflation scenario reflects entrenched inflation remaining until the end of the time horizon. The downside 2 - global shock scenario captures deflationary tail risks in a world economic downturn. The relative weightings of the 4 scenarios stand at; 10% upside; 50% base case; 20% downside 1 - inflation; and 20% downside 2 - global shock.

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 model 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies (continued)****3.13 Leases****3.13.1 Lease liabilities**

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

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

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

Lease liabilities are subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease 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 26).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**3 Summary of significant accounting policies (continued)****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 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.
- The assessment of asset impairment based on value in use and the ability to recognise deferred tax assets are based on future expected cashflows. The expected cashflows are 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 issued 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 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 2023
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 counter-parties and limits individual aggregate exposures accordingly. The Company's Board of Directors receive regular reports on credit exposures. These include information on large credit exposures, asset concentration, levels of bad debt provisioning and country exposure limits.

Total credit exposures are summarised below:

	As at 31 March	
	2023 £m	2022 £m
Loans and advances to banks	658	719
Reverse repurchase agreements	153	43
Debt instruments at FVOCI	808	838
Loans and advances to customers	1 114	1 112
Derivative financial instruments	8	4
Other assets	12	11
Total on balance sheet credit exposures	2 753	2 727
Undrawn loans	83	92
Total credit exposures	2 836	2 819

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
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 2023		As at 31 March 2022	
	Limit £m	Exposure £m	Limit £m	Exposure £m
AAA	–	–	–	–
AA+	–	–	–	–
AA	80	24	60	31
AA–	200	49	115	84
A+	141	2	366	48
A	165	–	210	158
A–	268	190	233	137
BBB+ *	502	352	497	257
BBB	–	–	–	–
BBB–	–	–	–	–
BB+	–	–	–	–
BB	–	–	–	–
BB–	45	41	45	4
	1 401	658	1 526	719

*Of the total BBB+ rated exposure of £352m relates to the Company's parent, Investec Bank plc. Of this exposure, £316m is secured (2022: £221m / £123m).

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 2023
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 35 shows management's estimate of the interest rate sensitivity gap as at 31 March 2023. 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, in general, 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. The Company may choose not to swap exposures of greater than 1 year, provided that the risk arising does not exceed agreed interest risk limits. Details of contracts entered into as at 31 March 2023 are in Note 16 (further information in Note 35).

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 2023
CONTINUED**4 Review of the Company's risk profile** (continued)**4.2 Financing and Interest Rate Risk** (continued)

Summary of MPM Position:

Currency	As at 31 March 2023*			As at 31 March 2022		
	MPM	MPM Limit	%	MPM	MPM Limit	%
GBP	3 880	6 000	65%	(1 031)	1 500	69%
USD	1 354	2 400	56%	(2 010)	2 220	91%
JPY	–	50	0%	–	50	0%
EUR	(46)	500	9%	(15)	500	3%
AUD	4	50	8%	–	50	0%
CHF	–	50	0%	–	50	0%
Others	19	50	38%	–	50	0%
Overall	5 303	8 400	63%	3 056	3 600	85%

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.

* March 2023 position presumes equity and a proportion of 0% rate paying demand deposits as non interest rate sensitive.

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 34 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.

With the exception of some debt securities (see Note 14) 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 2023 was 256% (2022: 310%).

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 2023 was 148% (2022: 165%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
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 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 2023	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	21 808 147	10 707 823	4 366 656	–	–	36 882 626
Customer accounts	1 603 192 956	735 677 226	88 592 833	57 617 282	23 779 774	2 508 860 071
Derivative financial instruments	1 168 436	3 496	–	–	–	1 171 932
Subordinated debt	–	–	–	25 459 976	–	25 459 976
Loan commitments	82 523 127	–	–	–	–	82 523 127

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

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 33 shows the Company's exposure to major currencies as at 31 March 2023.

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 2023 Effect on Profit and Equity	31 March 2022 Effect on Profit and Equity
		£	£
USD	5%	71 874	2 065
EUR	5%	19 533	14 468
ZAR	5%	N/A	1 042

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 2023
CONTINUED**5 Interest and similar income**

	2023 £	2022 £
In respect of:		
Cash and short term funds	281 947	94 314
Due from banks	19 792 686	1 527 291
Loans and advances to customers	57 991 141	34 485 902
Negative interest received on customer deposits	427 344	859 970
Debt instruments	20 390 452	661 576
	98 883 570	37 629 053

6 Interest and similar expense

	2023 £	2022 £
In respect of:		
Deposits by banks	(722 997)	(108 768)
Customer accounts	(28 226 351)	(4 291 281)
Unwinding of lease liabilities	(157 319)	(144 685)
Subordinated debt	(2 063 321)	(1 329 643)
Negative interest paid on debt instruments	–	(7 659)
	(31 169 988)	(5 882 036)

7 Net fees and commission income

	2023 £	2022 £
Foreign exchange	3 304 441	2 873 747
Credit related fees and commissions	720 317	854 393
Bank charges and commissions	2 033 863	1 697 630
Custody and safekeeping charges	772 816	837 959
Total fees and commission income	6 831 437	6 263 729
Other fees paid	(421 163)	(342 983)
Total fees and commission expense	(421 163)	(342 983)
Net fees and commission income	6 410 274	5 920 746

8 Other operating income

	2023 £	2022 £
Net trading income		
Foreign exchange trading income	492 734	413 940
Net change in fair value of Foreign Exchange contracts and Interest Rate Swaps	2 930 664	3 876 003
	3 423 398	4 289 943
Other		
Rental income received	153 734	157 477
	153 734	157 477
Total other operating income	3 577 132	4 447 420

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**9 Expected credit losses impairment release**

	2023 £	2022 £
Expected credit losses impairment charges has arisen on the following line items:		
Movement in ECL on loans and advances to customers	804 182	1 606 206
Movement in ECL on other balance sheet assets	141	206
Movement in ECL on off-balance sheet commitments	(72 496)	32 130
Loans and advances to customers written off	(1 467 468)	(3 172 117)
Total expected credit impairment loss	(735 641)	(1 533 575)

10 Administrative expenses

	2023 £	2022 £
Staff costs	15 609 322	12 332 014
Recharges of group central costs	4 744 766	4 531 589
IT and office services	1 968 030	1 621 861
Marketing, travel and entertainment	582 571	286 503
Accommodation	395 190	376 218
Rental expense	60 699	46 854
Auditor's remuneration – current year audit fees	196 313	214 731
Auditor's remuneration – other services	42 549	21 663
Directors' fees	80 000	85 000
Legal and consulting fees	183 362	1 177 995
Other professional fees including GFSC fees	277 028	234 326
Operating losses	158 337	17 232
Other costs	75 563	43 752
	24 373 730	20 989 738

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

	2023 £	2022 £
Income tax based on profits for the year	4 352 906	877 499
Deferred tax charge	101 643	75 702
Under/(over) accrual in prior year	333 803	(2 943)
Tax charge reported in the statement of comprehensive income	4 788 352	950 258

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**11 Taxation (continued)**

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.

	2023 £	2022 £
Profit on ordinary activities	47 962 898	14 435 191
	47 962 898	14 435 191
	2023 £	2022 £
Profit on ordinary activities at intermediate rate of tax at 10%	4 796 290	1 443 519
Add tax effect of disallowable items:	116 854	(431 395)
Less tax effect of allowable deductions:		
– Capital allowances	(28 622)	(35 625)
– Income taxable at 0%	(531 616)	(99 000)
Current tax charge for the year	4 352 906	877 499

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

Deferred Taxation

	2023 £	2022 £
Deferred taxation assets	308 605	410 248

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

	2023 £	2022 £
Due from Investec Bank PLC – secured	321 662 120	122 545 114
Due from Investec Bank PLC – unsecured	35 483 264	98 412 929
Due from other group companies	36 022 237	40 555 067
Due from banks	265 040 622	457 596 531
Loans and advances to banks	658 208 243	719 109 641
Less: Expected Credit Loss Allowance	(188)	(329)
	658 208 055	719 109 312

Of the total 'Loans and advances to banks', £357m (54.3%) was due from the Company's parent company Investec Bank plc (2022: £221m).

The decrease in the ECL allowance of £141 during the year ended 31 March 2023 (2022: reduction of £86) was recognised in the Statement of Comprehensive Income.

13 Securities lending and repurchase agreements and assets held or pledged as collateral

During its normal course of business, the Company borrows and lends securities and may also sell securities under agreements to repurchase ("repos") and purchase securities under agreements to resell ("reverse repos").

13.1 Securities borrowed and reverse repo arrangements

The following table provides an analysis of the consideration paid, including accrued interest, recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements:

	2023 £	2022 £
Reverse repurchase agreements	153 075 976	43 120 343

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**13 Securities lending and repurchase agreements and assets held or pledged as collateral (continued)****13.2 Assets pledged and held as collateral**

	2023 £	2022 £
Assets pledged as collateral		
Debt instruments at FVOCI pledged as collateral under collateral swap agreement	68 029 033	–
Assets held as collateral against assets we have extended		
Debt instruments at FVOCI held as collateral under reverse repo agreement	151 977 080	43 074 648
Debt instruments at FVOCI held as collateral under collateral swap agreement	73 425 685	–
	225 402 765	43 074 648

14 Debt securities

	2023 £	2022 £
Debt instruments at fair value through other comprehensive income	798 069 588	837 574 257
Debt instruments held at amortised cost	9 818 467	–
Total Debt Securities	807 888 055	837 574 257

At 31 March 2023 there was no ECL allowance on debt instruments at fair value through other comprehensive income (2022: £Nil).

As at 31 March 2023 the Company had pledged £68,029,033 of debt instruments measured at fair value through other comprehensive income as collateral under a collateral swap agreement (2022: £Nil). Further information in Note 13.2.

15 Loans and advances to customers

	2023 £	2022 £
Commercial property	292 863 413	265 348 629
Other – secured	124 312 306	133 126 867
Residential mortgages	696 810 624	713 236 436
Unsecured	122 572	335 988
Gross loans and advances to customers	1 114 108 915	1 112 047 920
Less: Expected Credit Loss Allowance (IFRS9)	(3 176 834)	(3 976 692)
	1 110 932 081	1 108 071 228

By Accounting Classification:

Loans and advances to customers held at Amortised Cost	1 023 810 242	1 030 607 616
Loans and advances to customers held at Fair Value through profit or loss	90 298 673	81 440 304
Gross loans and advances to customers	1 114 108 915	1 112 047 920
Less: Expected Credit Loss Allowance (IFRS9)	(3 176 834)	(3 976 692)
	1 110 932 081	1 108 071 228

Loans and advances to customers are typically 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', 98.3% (£1,092m) was fully secured by collateral (2022: £1,095m). 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**15 Loans and advances to customers (continued)**

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

	31 March 2023 £000s	31 March 2022 £000s
Gross core loans and advances to customers held at Amortised Cost under IFRS9	1 023 810	1 030 608
Gross exposure subject to ECL (£000)	1 023 810	1 030 608
Stage 1	968 915	993 906
Stage 2	28 449	19 411
Stage 3	26 446	17 291
Gross exposure (%)		
Stage 1	94.6%	96.4%
Stage 2	2.8%	1.9%
Stage 3	2.6%	1.7%
IFRS9 ECL (£000)	3 177	3 977
Stage 1	1 575	980
Stage 2	612	1 791
Stage 3	990	1 206
ECL coverage ratio (%)	0.3%	0.4%
Stage 1	0.2%	0.1%
Stage 2	2.2%	9.2%
Stage 3	3.7%	7.0%

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 2022	993 906	19 411	17 291	1 030 608
New assets originated	128 473	-	-	128 473
Assets repaid (excluding write-offs)	(121 350)	(3 418)	(6 819)	(131 587)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(23 015)	23 015	-	-
Transfers to Stage 3	(7 579)	(10 389)	17 968	-
Other movements	(1 520)	(170)	(527)	(2 217)
Amounts written-off	-	-	(1 467)	(1 467)
Gross carrying amount as at 31 March 2023	968 915	28 449	26 446	1 023 810

Changes in ECL Allowance (£000s):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April 2022	980	1 791	1 206	3 977
New assets originated	170	-	-	170
Assets repaid (excluding write-offs)	(119)	(2)	(126)	(247)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(34)	113	-	79
Transfers to Stage 3	(10)	(802)	980	168
Other movements	588	(488)	5	105
Amounts written-off	-	-	(1 075)	(1 075)
ECL allowance as at 31 March 2023	1 575	612	990	3 177

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED

15 Loans and advances to customers (continued)

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

Analysis of Loans and advances to customers by risk category:

As at 31 March 2023	Stage 1		Stage 2		Stage 3		FVTPL	Total	
£000s	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	Exposure	ECL
Commercial Property	247 581	(533)	11 480	(558)	7 046	(350)	26 756	292 863	(1 441)
Investment	190 046	(369)	4 799	(56)	7 046	(350)	26 756	228 647	(775)
Development	6 921	(7)	–	–	–	–	–	6 921	(7)
Planning	50 614	(157)	1 075	(3)	–	–	–	51 689	(160)
Other	–	–	5 606	(499)	–	–	–	5 606	(499)
Residential Property	601 206	(933)	16 969	(54)	19 400	(640)	59 236	696 811	(1 627)
Mortgages	112 409	(20)	–	–	–	–	2 243	114 652	(20)
Investment	468 608	(857)	16 969	(54)	19 400	(640)	56 993	561 970	(1 551)
Development	12 280	(47)	–	–	–	–	–	12 280	(47)
Planning	–	–	–	–	–	–	–	–	–
Other	7 909	(9)	–	–	–	–	–	7 909	(9)
Other Secured Loans	120 005	(109)	–	–	–	–	4 307	124 312	(109)
Growth & Acquisition Finance	6 253	(14)	–	–	–	–	–	6 253	(14)
Leverage/Acquisition Finance	–	–	–	–	–	–	–	–	–
Non Property Structured Lending	91 198	(90)	–	–	–	–	–	91 198	(90)
Other corporate lending	7 338	(1)	–	–	–	–	4 307	11 645	(1)
Other	15 216	(4)	–	–	–	–	–	15 216	(4)
Unsecured Loans	123	–	–	–	–	–	–	123	–
Unsecured Loans	123	–	–	–	–	–	–	123	–
Unallocated	–	–	–	–	–	–	–	–	–
Total	968 915	(1 575)	28 449	(612)	26 446	(990)	90 299	1 114 109	(3 177)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED

15 Loans and advances to customers (continued)

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)

16 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 the balance sheet date.

	Assets 2023 £	Liabilities 2023 £	Notional 2023 £
Derivatives held for trading			
Forward foreign exchange contracts	1 171 385	(1 171 932)	368 556 732
Interest rate swaps	6 351 949	–	95 265 500
	7 523 334	(1 171 932)	463 822 232
	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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**17 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.

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 incorporating forward rate interest curves.

	31 March 2023 £	Level 1 £	Level 2 £	Level 3 £
Assets classified as fair value through profit or loss				
Forward foreign exchange contracts	1 171 385	–	1 171 385	–
Interest rate swap contracts	6 351 949	–	6 351 949	–
Loans to customers at fair value through profit or loss	90 298 673	–	90 298 673	–

Assets classified as fair value through other comprehensive income

Treasury Bills	798 069 588	798 069 588	–	–
----------------	-------------	-------------	---	---

Liabilities classified as fair value through profit or loss

Forward foreign exchange contracts	(1 171 932)	–	(1 171 932)	–
Interest rate swap contracts	–	–	–	–

	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)	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**17 Fair value hierarchy** (continued)

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 2023, 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)

	2023 £	2022 £
Financial assets at fair value through profit or loss at 1 April 2022	708 000	1 111 229
Advances	23 727	87 818
Settlements	(732 472)	–
Fair value movement	745	(491 047)
Financial assets at fair value through profit or loss at 31 March 2023	–	708 000

18 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.

19 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 £
2023	£	£	£	£	£
Interest Rate Swap	6 351 949	6 351 949	2 936 455	(5 903 651)	(3 408 501)
2022	£	£	£	£	£
Interest Rate Swap	3 123 945	3 123 945	3 876 042	(2 495 150)	(3 340 887)

20 Intangible fixed assets

	Computer Software £
Cost	
As at 31 March 2022	4 846 161
Additions	78 350
As at 31 March 2023	4 924 511
Amortisation and impairment	
As at 31 March 2022	4 550 559
Charge for the year	199 866
As at 31 March 2023	4 750 425
Net book value	
As at 31 March 2022	295 602
As at 31 March 2023	174 086

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**21 Tangible fixed assets and right of use assets**

	Right of Use Assets – Buildings £	Leasehold Improvements £	Office Equipment £	Total £
Cost				
As at 31 March 2022	10 062 142	1 722 773	1 557 190	13 342 105
Additions	958 741	1 085 502	56 205	2 100 448
Re-measurement of lease creditor	(37 353)	–	–	(37 353)
Disposals	(317 614)	(289 428)	–	(607 042)
As at 31 March 2023	10 665 916	2 518 847	1 613 395	14 798 158
Depreciation				
As at 31 March 2022	2 114 937	1 391 007	1 337 264	4 843 208
Charge for the year	766 138	125 193	129 766	1 021 097
On Disposals	(317 613)	(289 428)	–	(607 041)
As at 31 March 2023	2 563 462	1 226 772	1 467 030	5 257 264
Net book value				
As at 31 March 2022	7 947 204	331 766	219 926	8 498 895
As at 31 March 2023	8 102 454	1 292 075	146 365	9 540 894

Set out below are the carrying amounts of lease liabilities (included under other liabilities in Note 26) and the movements during the period:

	2023 £	2022 £
As at 1 April 2022	8 193 107	8 788 267
Accretion of interest	157 319	144 685
New leases entered into in year	958 741	–
Remeasurement at rent review	(37 353)	51 907
Payments	(795 745)	(791 752)
As at 31 March 2023	8 476 069	8 193 107

The maturity analysis of lease liabilities is disclosed in Note 34.

The Company had total cash outflows for leases of £795,745 (2022: £791,752).

22 Prepayments and accrued income

	2023 £	2022 £
Prepaid expenses	1 222 655	926 955
Loan Fees due from Clients	81 200	183 478
	1 303 855	1 110 433

23 Other Assets

	2023 £	2022 £
Transaction clearing	119 158	386 195
Other assets	74 767	415 369
	193 925	801 564

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**24 Deposits by banks**

	2023 £	2022 £
Due to fellow subsidiaries	27 795 107	28 078 237
Due to parent company	8 660 155	–
Due to other banks	252 591	–
	36 707 853	28 078 237

25 Customer accounts

	2023 £	2022 £
Current accounts	1 272 899 247	1 668 278 210
Notice and fixed accounts	1 226 251 977	839 278 560
	2 499 151 224	2 507 556 770

26 Other liabilities

	2023 £	2022 £
Staff expenses accrued	3 161 683	1 781 125
Due to holding company	506 998	416 221
ECL allowance on undrawn loans	103 784	31 288
Lease liabilities (Note 21)	8 476 069	8 193 107
Other liabilities	1 518 929	1 374 336
	13 767 463	11 796 077

Other liabilities includes £103,784 (2022: £31,288) in respect of an ECL allowance on undrawn loans. The increase in the ECL allowance of £72,496 during the year ended 31 March 2023 (2022: decrease of £32,129) was recognised in the Statement of Comprehensive Income.

27 Subordinated debt

	2023 £	2022 £
Subordinated debt	25 459 976	25 284 786

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.

28 Share capital

	2023 £	2022 £
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**29 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 37 for further details of these plans.

Fair value reserve

This reserve records fair value changes on debt securities.

30 Dividends

	2023 £	2022 £
Dividend declared and paid during the year	23 500 000	5 500 000
Dividend per share	£1.60	£0.38

31 Commitments and contingent liabilities

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

	2023 £	2022 £
(i) Forward Foreign Exchange Contracts (Nominal Value)		
Falling due:		
Within one year	368 556 732	189 979 591
(ii) Undrawn loans		
Falling due:		
Within one year	82 523 127	91 628 199

Included in other liabilities in Note 26 is an amount of £103,784 in respect of stage 1 ECL allowances on undrawn loans (2022: £31,288). The increase in the stage 1 ECL allowance of £72,496 during the year ended 31 March 2023 was recognised in the Statement of comprehensive income (2022: decrease of £32,130).

32 Geographical analysis

	Assets £ 2023	Liabilities & Shareholders' Funds £ 2023	Assets £ 2022	Liabilities & Shareholders' Funds £ 2022
Channel Islands	573 267 854	1 712 899 246	615 403 376	1 639 737 078
United Kingdom	1 238 063 387	319 132 457	1 023 145 197	267 922 182
EU Member States	171 661 171	32 778 353	269 914 817	30 511 085
United States	488 190 997	12 663 596	520 576 001	17 383 597
Other	278 065 457	671 775 214	293 919 672	767 405 121
	2 749 248 866	2 749 248 866	2 722 959 063	2 722 959 063

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**33 Currency exposure**

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

31 March 2023	Sterling £	%	US Dollar £	%	Euro £	%	Other Currencies £	%	Total £
Assets	1 681 346 541	61%	886 063 946	32%	128 602 513	5%	52 235 866	2%	2 749 248 866
Liabilities including shareholders' funds	(1 681 242 439)	61%	(886 123 204)	32%	(128 669 485)	5%	(53 213 738)	2%	(2 749 248 866)
Net assets/ (liabilities)	104 102		(59 258)		(66 972)		22 128		–
Off balance sheet									
Assets	125 395 195	34%	105 540 005	29%	61 655 354	17%	75 965 721	21%	368 556 275
Liabilities	(121 963 120)	33%	(107 537 424)	29%	(61 828 976)	17%	(77 227 211)	21%	(368 556 731)
Net off balance sheet assets/ (liabilities)	3 432 075		(1 997 419)		(173 622)		(1 261 490)		(456)

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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**34 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.

	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
As at 31 March 2023	£	£	£	£	£	£	£
Assets							
Loans and advances to banks	307 169 528	238 140 436	32 338 912	10 096 647	70 426 382	36 150	658 208 055
Cash collateral on reverse repurchase agreements	3 075 973	150 000 003	–	–	–	–	153 075 976
Loans and advances to customers	24 968 696	36 228 948	25 765 151	88 507 151	896 633 243	38 828 892	1 110 932 081
Debt securities	112 613 253	211 367 195	330 427 363	78 804 393	49 696 204	24 979 647	807 888 055
Liabilities							
Deposits by banks	(21 808 085)	(10 633 058)	(4 266 710)	–	–	–	(36 707 853)
Customer accounts	(1 602 858 550)	(731 018 750)	(86 760 295)	(55 636 242)	(22 861 990)	(15 397)	(2 499 151 224)
Lease liabilities	(40 808)	(81 707)	(129 903)	(333 426)	(2 834 281)	(5 055 942)	(8 476 067)
Subordinated debt	–	–	–	(25 459 976)	–	–	(25 459 976)
Net position	(1 176 879 993)	(105 996 933)	297 374 518	95 978 547	991 059 558	58 773 350	160 309 047
As at 31 March 2022							
Assets							
Loans and advances to banks	462 423 094	226 315 681	30 370 537	–	–	–	719 109 312
Cash collateral on reverse repurchase agreements	43 120 343	–	–	–	–	–	43 120 343
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**35 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 2023. 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 4%	140 561 674	47 824 099	–	45 898 398	302 538	–	234 586 709
Fixed rate – above 4%	449 099 765	286 120 381	76 845 467	59 153 297	9 771 186	–	880 990 096
Floating rate – up to 4%	58 898 985	–	1 083 656	–	–	–	59 982 641
Floating rate – above 4%	1 477 454 113	–	10 051 781	70 215 849	–	–	1 557 721 743
Non-interest bearing	–	–	–	–	–	15 967 677	15 967 677
Total Assets	2 126 014 537	333 944 480	87 980 904	175 267 544	10 073 724	15 967 677	2 749 248 866
Liabilities							
Fixed rate – up to 4%	396 598 567	10 292 052	5 812 127	–	–	–	412 702 746
Fixed rate – above 4%	6 313 999	19 382 602	49 262 938	27 169	–	–	74 986 708
Floating rate – up to 4%	1 498 111 167	–	–	–	–	–	1 498 111 167
Floating rate – above 4%	575 518 430	–	–	–	–	–	575 518 430
Non-interest bearing	–	–	–	–	–	19 896 179	19 896 179
Total Liabilities	2 476 542 163	29 674 654	55 075 065	27 169	–	19 896 179	2 581 215 230
Equity	–	–	–	–	–	168 325 185	168 325 185
Interest rate sensitivity gap before Interest Rate Swaps	(350 527 626)	304 269 826	32 905 839	175 240 375	10 073 724	(172 253 687)	(291 549)
Interest Rate Swaps	95 761 990	–	(18 295 453)	(66 652 975)	(10 522 013)	–	291 549
Interest rate sensitivity gap after Interest Rate Swaps	(254 765 636)	304 269 826	14 610 386	108 587 400	(488 289)	(172 253 687)	–
Cumulative interest rate sensitivity gap as at 31 March 2023	(254 765 636)	49 504 190	64 114 576	172 701 976	172 253 687	–	–
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	–	–

36 Credit quality of loans and advances to customers

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

Loans and advances to customers	2023 £'000	2023 %	2022 £'000	2022 %
Satisfactory	1 063 200	95%	1 073 569	97%
Medium risk	3 781	0%	3 718	0%
Forborne	–	0%	–	0%
Watchlist – management review	35 258	3%	22 007	2%
Watchlist – sub-standard	–	0%	–	0%
Watchlist – default	11 870	1%	12 754	1%
	1 114 109		1 112 048	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**37 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.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2023 Number of share options	2023 Weighted average exercise price	2022 Number of share options	2022 Weighted average exercise price
INVP options & shares				
Outstanding at the beginning of the year	796 854	£0.09	535 340	£0.28
Re-location of employees during the year	(16 247)	£0.00	(114)	£0.00
Granted during the year	185 769	£0.00	362 830	£0.08
Exercised during the year	(167 070)	£0.41	(63 730)	£0.00
Lapsed during the year	(3 268)	£0.00	(37 472)	£1.92
Outstanding at the end of the year	796 038	£0.00	796 854	£0.09

	2023 Number of share options	2023 Weighted average exercise price	2022 Number of share options	2022 Weighted average exercise price
N91 options & shares				
Outstanding at the beginning of the year	117 967	£0.27	165 749	£0.37
Re-location of employees during the year	(3 126)	£0.00	800	£0.00
Distributed during the year	110 276	£0.00	–	£0.00
Exercised during the year	(179 667)	£0.03	(31 201)	£0.00
Lapsed during the year	(9 940)	£3.20	(17 381)	£1.68
Outstanding at the end of the year	35 510	£0.00	117 967	£0.27

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**37 Share based payments** (continued)

The exercise price range and weighted average remaining contractual life for INVP options outstanding at 31 March 2023, were as follows:

	2023	2022
Exercise price range	–	£3.58 – £4.18
Weighted average remaining contractual life	–	0.22 years

The exercise price range and weighted average remaining contractual life for INVP LTIPs & LTSAs outstanding at 31 March 2023, were as follows:

	2023	2022
Exercise price range	£Nil	£Nil
Weighted average remaining contractual life	1.91 years	2.14 years

The exercise price range and weighted average remaining contractual life for N91 options outstanding at 31 March 2023, were as follows:

	2023	2022
Exercise price range	–	£2.90 – £3.39
Weighted average remaining contractual life	–	0.25 years

The exercise price range and weighted average remaining contractual life for N91 LTIPs & LTSAs outstanding at 31 March 2023, were as follows:

	2023	2022
Exercise price range	£Nil	£Nil
Weighted average remaining contractual life	1.54 years	0.96 years

38 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 (2022: the same).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
CONTINUED**38 Capital (continued)**

Regulatory capital - Unaudited	2023 Actual £000s	2023 Required £000s	2022 Actual £000s	2022 Required £000s
Common Equity Tier 1 capital	148 184	109 549	134 878	103 452
Additional Tier 1 capital	–	–	–	–
Tier 1 capital	148 184	109 549	134 878	103 452
Tier 2 capital	25 000	n/a	25 000	n/a
Total regulatory capital	173 184	136 854	159 878	129 237
Risk weighted assets	1 105 442		1 043 914	
Common Equity Tier 1 capital	13.40%		12.92%	
Tier 1 capital ratio	13.40%		12.92%	
Total capital ratio	15.67%		15.32%	

The numbers above are sourced from the unaudited 31 March 2023 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	2023 £000s	2022 £000s
Tier 1 capital	148 184	134 878
Total Exposures	2 783 657	2 747 801
Leverage ratio	5.32%	4.91%

39 Pension costs

The pension cost for the year was £860,276 (2022: £779,349). There were no outstanding or prepaid contributions as at 31 March 2023.

The Company operates a money purchase pension scheme. Contributions of the Company were 10%, 13%, 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.

40 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.

41 Post Balance Sheet Events

There are no post Balance Sheet events to report.



Investec

— OUT OF THE ORDINARY

