INVESTEC BANK PLC | 2020

(a subsidiary of Investec plc)

Financial information

Unaudited condensed consolidated financial information for the year ended 31 March 2020

IFRS – Pounds Sterling

Introduction

We supplement our IFRS figures with alternative performance measures used by management internally, which provide valuable and relevant information. The description of alternative performance measures and their calculation is provided on page 26. All other definitions can be found on page 27.

Key financial statistics	**31 March 2020**	31 March 2019^	% change
Total operating income before expected credit loss impairment charges (£'000)	957 207	1 089 842	(12.2%)
Operating costs (£'000)	705 626	792 380	(10.9%)
Adjusted operating profit (£'000)	173 604	274 817	(36.8%)
Earnings attributable to ordinary shareholder (£'000)	57 822	161 917	(64.3%)
Cost to income ratio (%)	73.9%	72.6%	
Total capital resources (including subordinated liabilities) (£'000)	3 118 202	2 966 927	5.1%
Total equity (£'000)	2 331 172	2 163 228	7.8%
Total assets (£'000)	24 669 539	22 121 020	11.5%
Net core loans and advances (£'000)	11 832 499	10 486 701	12.8%
Customer accounts (deposits) (£'000)	15 505 883	13 499 234	14.9%
Loans and advances to customers as a % of customer deposits	76.3%	77.7%	
Cash and near cash balances (£'million)	6 040	6 792	(11.1%)
Funds under management (£'million)	33 465	39 482	(15.2%)
Total gearing ratio (i.e. total assets to equity)	10.6x	10.2x	
Total capital ratio	16.5%	17.0%	
Tier 1 ratio	13.1%	12.9%	
Common equity tier 1 ratio	11.5%	11.2%	
Leverage ratio – current	8.0%	7.9%	
Leverage ratio – 'fully loaded'	7.7%	7.7%	
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.3%	3.2%	
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%	
Credit loss ratio	0.69%	0.38%	

^ *Restated as detailed on pages 17 to 19.*

CONSOLIDATED INCOME STATEMENT

£'000	Year to 31 March 2020	Year to 31 March 2019^
Interest income	784 421	723 321
Interest expense	(374 872)	(325 037)
Net interest income	**409 549**	**398 284**
Fee and commission income	495 789	500 095
Fee and commission expense	(13 766)	(13 207)
Investment income	6 591	92 095
Share of post-taxation profit of associates and joint venture holdings	2 128	2 680
Trading income arising from		
– customer flow	50 980	86 766
– balance sheet management and other trading activities	(528)	12 653
Other operating income	6 464	10 476
Total operating income before expected credit loss impairment charges	**957 207**	**1 089 842**
Expected credit loss impairment charges	(75 706)	(24 987)
Operating income	**881 501**	**1 064 855**
Operating costs	(705 626)	(792 380)
Depreciation on operating leased assets	(1 407)	(2 137)
Operating profit before acquired intangibles and strategic actions	**174 468**	**270 338**
Amortisation of acquired intangibles	(12 915)	(12 958)
Closure and rundown of the Hong Kong direct investments business	(89 257)	(65 593)
Operating profit	**72 296**	**191 787**
Financial impact of group restructures	(26 898)	(14 595)
Profit before taxation	**45 398**	**177 192**
Taxation on operating profit before acquired intangibles and strategic actions	(7 638)	(37 353)
Taxation on acquired intangibles and strategic actions	20 926	17 599
Profit after taxation	**58 686**	**157 438**
Profit / Loss attributable to non-controlling interests	(864)	4 479
Earnings attributable to shareholder	**57 822**	**161 917**

^ *Restated as detailed on pages 17 to 19.*

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Year to 31 March 2020	Year to 31 March 2019^
Profit after taxation	**58 686**	**157 438**
Other comprehensive income/(loss):		
Items that may be reclassified to the income statement:		
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	(1 372)	(1 907)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	2 644	1 517
Foreign currency adjustments on translating foreign operations**	(1 002)	2 381
Effect of rate change on deferred tax relating to adjustment for IFRS 9	(1 134)	(1 572)
Items that will never be reclassified to the income statement:		
Gains attributable to own credit risk*	9 440	9 104
Movement in post-retirement benefit liabilities	51	–
Total comprehensive income	**67 313**	**166 961**
Total comprehensive income attributable to non-controlling interests	864	(4 891)
Total comprehensive income attributable to ordinary shareholder	49 574	157 958
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities	16 875	13 894
Total comprehensive income	**67 313**	**166 961**

* *Net of taxation (except for the impact of rate changes on deferred tax, as shown separately above).*

^ *Restated as detailed on pages 17 to 19.*

** *Includes £834k gains on recycling of currency translation differences from sale of Ireland Wealth business.*

CONSOLIDATED BALANCE SHEET

£'000	At 31 March 2020	At 31 March 2019
Assets		
Cash and balances at central banks	2 277 318	4 445 430
Loans and advances to banks	1 793 867	954 938
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	633 202
Sovereign debt securities	1 688 670	1 298 947
Bank debt securities	51 238	52 265
Other debt securities	695 818	508 142
Derivative financial instruments	1 251 394	642 530
Securities arising from trading activities	582 693	798 224
Investment portfolio	350 662	486 493
Loans and advances to customers	11 834 207	10 488 022
Other loans and advances	266 501	246 400
Other securitised assets	106 218	118 143
Interests in associated undertakings and joint venture holdings	6 579	8 855
Deferred taxation assets	129 715	133 344
Other assets	1 462 159	847 604
Property and equipment	216 955	94 714
Investment properties	–	14 500
Goodwill	252 958	260 858
Intangible assets	75 341	88 409
	24 669 539	**22 121 020**
Liabilities		
Deposits by banks	1 450 463	1 318 776
Derivative financial instruments	1 246 109	719 027
Other trading liabilities	118 572	80 217
Repurchase agreements and cash collateral on securities lent	396 811	314 335
Customer accounts (deposits)	15 505 883	13 499 234
Debt securities in issue	1 026 474	2 050 141
Liabilities arising on securitisation of other assets	110 679	113 711
Current taxation liabilities	43 470	136 818
Deferred taxation liabilities	22 112	21 341
Other liabilities	1 630 764	900 493
	21 551 337	**19 154 093**
Subordinated liabilities	787 030	803 699
	22 338 367	**19 957 792**
Equity		
Ordinary share capital	1 280 550	1 186 800
Share premium	199 538	143 288
Treasury shares	153 177	162 789
Other reserves	(11 071)	(19 647)
Retained income	455 609	447 924
Shareholder's equity excluding non-controlling interests	**2 077 803**	**1 921 154**
Additional Tier 1 securities in issue	250 000	250 000
Non-controlling interests in partially held subsidiaries	3 369	(7 926)
Total equity	**2 331 172**	**2 163 228**
Total liabilities and equity	**24 669 539**	**22 121 020**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Share premium	Capital reserve account
At 31 March 2018	**1 186 800**	**143 288**	**162 789**
Adoption of IFRS 9	–	–	–
At 1 April 2018	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2018 – 31 March 2019			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of Additional Tier 1 security instruments	–	–	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer own credit reserve on sale of subordinated liabilities	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Movement in post-retirement benefit liabilities	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of ordinary shares	93 750	56 250	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer from capital reserve	–	–	(9 612)
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2020	**1 280 550**	**199 538**	**153 177**

^ *Restated as detailed on pages 17 to 19.*

Other reserves							
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
10 490	**(3 146)**	**–**	**512 006**	**2 012 227**	**200 000**	**(3 060)**	**2 209 167**
(7 970)	–	(55 388)	(148 306)	(211 664)	–	–	(211 664)
2 520	**(3 146)**	**(55 388)**	**363 700**	**1 800 563**	**200 000**	**(3 060)**	**1 997 503**
–	–	–	161 917	161 917	–	(4 479)	157 438
(47)	–	(817)	(708)	(1 572)	–	–	(1 572)
(1 907)	–	–	–	(1 907)	–	–	(1 907)
1 517	–	–	–	1 517	–	–	1 517
1	2 792	–	–	2 793	–	(412)	2 381
–	–	9 104	–	9 104	–	–	9 104
(436)	**2 792**	**8 287**	**161 209**	**171 852**	**–**	**(4 891)**	**166 961**
–	–	–	(2 367)	(2 367)	–	–	(2 367)
–	–	–	–	–	50 000	–	50 000
–	–	–	(35 000)	(35 000)	–	–	(35 000)
–	–	–	(13 894)	(13 894)	13 894	–	–
–	–	–	–	–	(13 894)	–	(13 894)
–	–	25 724	(25 724)	–	–	–	–
–	–	–	–	–	–	25	25
2 084	**(354)**	**(21 377)**	**447 924**	**1 921 154**	**250 000**	**(7 926)**	**2 163 228**
–	–	–	57 822	57 822	–	864	58 686
(887)	–	(247)	–	(1 134)	–	–	(1 134)
(1 372)	–	–	–	(1 372)	–	–	(1 372)
2 644	–	–	–	2 644	–	–	2 644
–	(1 002)	–	–	(1 002)	–	–	(1 002)
–	–	9 440	–	9 440	–	–	9 440
–	–	–	51	51	–	–	51
385	**(1 002)**	**9 193**	**57 873**	**66 449**	**–**	**864**	**67 313**
–	–	–	(6 953)	(6 953)	–	–	(6 953)
–	–	–	–	150 000	–	–	150 000
–	–	–	(35 000)	(35 000)	–	–	(35 000)
–	–	–	(16 875)	(16 875)	16 875	–	–
–	–	–	–	–	(16 875)	–	(16 875)
–	–	–	9 612	–	–	–	–
–	–	–	(972)	(972)	–	10 431	9 459
2 469	**(1 356)**	**(12 184)**	**455 609**	**2 077 803**	**250 000**	**3 369**	**2 331 172**

Segmental business analysis – income statement **For the year to 31 March 2020** **£'000**	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	12 604	396 945	409 549
Fee and commission income	305 090	190 699	495 789
Fee and commission expense	(678)	(13 088)	(13 766)
Investment income	(436)	7 027	6 591
Share of post-taxation profit of associates and joint venture holdings	–	2 128	2 128
Trading income arising from			
– customer flow	862	50 118	50 980
– balance sheet management and other trading activities	108	(636)	(528)
Other operating income	181	6 283	6 464
Total operating income before expected credit loss impairment charges	**317 731**	**639 476**	**957 207**
Expected credit loss impairment release/(charges)	1	(75 707)	(75 706)
Operating income	**317 732**	**563 769**	**881 501**
Operating costs	(254 714)	(450 912)	(705 626)
Depreciation on operating leased assets	–	(1 407)	(1 407)
Operating profit before acquired intangibles and strategic actions	**63 018**	**111 450**	**174 468**
Profit attributable to non-controlling interests	–	(864)	(864)
Adjusted operating profit	**63 018**	**110 586**	**173 604**
Selected returns and key statistics			
Cost to income ratio	80.2%	70.8%	73.9%
Total assets (£'million)	1 013	23 657	24 670

Segmental business analysis – income statement^ **For the year to 31 March 2019** **£'000**	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	9 189	389 095	398 284
Fee and commission income	306 070	194 025	500 095
Fee and commission expense	(724)	(12 483)	(13 207)
Investment income	1 185	90 910	92 095
Share of post-taxation profit of associates and joint venture holdings	–	2 680	2 680
Trading income arising from			
– customer flow	793	85 973	86 766
– balance sheet management and other trading activities	(1)	12 654	12 653
Other operating income	342	10 134	10 476
Total operating income before expected credit loss impairment charges	**316 854**	**772 988**	**1 089 842**
Expected credit loss impairment charges	(24)	(24 963)	(24 987)
Operating income	**316 830**	**748 025**	**1 064 855**
Operating costs	(246 201)	(546 179)	(792 380)
Depreciation on operating leased assets	–	(2 137)	(2 137)
Operating profit before acquired intangibles and strategic actions	**70 629**	**199 709**	**270 338**
Loss attributable to non-controlling interests	–	4 479	4 479
Adjusted operating profit	**70 629**	**204 188**	**274 817**
Selected returns and key statistics			
Cost to income ratio	77.7%	70.4%	72.6%
Total assets (£'million)	866	21 255	22 121

^ *Restated as detailed on pages 17 to 19.*

Net interest income

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest income	2019^ Balance sheet value	2019^ Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 438 339	73 872	7 384 782	61 817
Loans and advances	2	11 834 207	587 379	10 488 022	578 605
Private client		5 075 380	191 199	4 197 181	165 397
Corporate, institutional and other clients		6 758 827	396 180	6 290 841	413 208
Other debt securities and other loans and advances#		962 319	106 026	754 542	82 899
Finance lease receivables*		322 211	17 144	–	–
Total interest-earning assets		**20 557 076**	**784 421**	**18 627 346**	**723 321**

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest expense	2019^ Balance sheet value	2019^ Interest expense
Deposits by banks and other debt-related securities**	3	2 873 748	125 460	3 683 252	119 259
Customer accounts (deposits)**		15 505 883	184 742	13 499 234	154 727
Subordinated liabilities		787 030	48 319	803 699	51 051
Lease liabilities*		478 558	16 351	–	–
Total interest-bearing liabilities		**19 645 219**	**374 872**	**17 986 185**	**325 037**
Net interest income			**409 549**		**398 284**
Net interest margin			**2.09%**		**2.26%**

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers.*
3. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.*

^ *Restated as detailed on pages 17 to 19.*

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest income and interest expense on the unwind of finance lease receivables and lease liabilities respectively. The prior period comparatives have not been restated.*

\# *Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.*

** *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer accounts (deposits) in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year balance of £825 million has not been restated. Please refer to page 15 for further information.*

Net fee and commission income

For the year to 31 March £'000	2020	2019^
Wealth & Investment businesses net fee and commission income	**304 412**	305 346
Fund management fees/fees for assets under management	261 093	258 299
Private client transactional fees	43 997	47 771
Fee and commission expense	(678)	(724)
Specialist banking net fee and commission income	**177 611**	**181 542**
Corporate and institutional transactional and advisory services	179 301	183 621
Private client transactional fees	11 398	10 404
Fee and commission expense	(13 088)	(12 483)
Net fee and commission income	**482 023**	**486 888**
Annuity fees (net of fees payable)	280 037	275 963
Deal fees	201 986	210 925

^ *Restated as detailed on pages 17 to 19.*

Investment income

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2020								
Realised	(765)	51 038	15 558	65 831	4 274	(3 616)	889	67 378
Unrealised*	(9 571)	(39 600)	(7 329)	(56 500)	(3 743)	1 814	(8 011)	(66 440)
Dividend income	7	2 892	–	2 899	–	–	–	2 899
Funding and other net related income	–	–	–	–	–	2 754	–	2 754
	(10 329)	**14 330**	**8 229**	**12 230**	**531**	**952**	**(7 122)**	**6 591**
2019^								
Realised	(7 566)	22 251	18 373	33 058	7 313	(7 231)	(13 884)	19 256
Unrealised*	(9 771)	46 978	(769)	36 438	1 530	13 267	10 638	61 873
Dividend income	72	4 161	–	4 233	–	–	–	4 233
Funding and other net related income	23	–	–	23	–	6 710	–	6 733
	(17 242)	**73 390**	**17 604**	**73 752**	**8 843**	**12 746**	**(3 246)**	**92 095**

* *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*
^ *Restated as detailed on pages 17 to 19.*

Analysis of financial assets and liabilities by category of financial instruments

At 31 March 2020 **£'000**	Total instruments at fair value	Amortised cost	Non–financial instruments or scoped out of IFRS 9	**Total BS**
Assets				
Cash and balances at central banks	–	2 277 318	–	2 277 318
Loans and advances to banks	–	1 793 867	–	1 793 867
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	1 543 049	–	1 627 246
Sovereign debt securities	1 688 670	–	–	1 688 670
Bank debt securities	51 238	–	–	51 238
Other debt securities	217 364	478 454	–	695 818
Derivative financial instruments**	1 251 394	–	–	1 251 394
Securities arising from trading activities	582 693	–	–	582 693
Investment portfolio	350 662	–	–	350 662
Loans and advances to customers	1 075 179	10 759 028	–	11 834 207
Other loans and advances	–	266 501	–	266 501
Other securitised assets	106 218	–	–	106 218
Interests in associated undertakings and joint venture holdings	–	–	6 579	6 579
Deferred taxation assets	–	–	129 715	129 715
Other assets	27 221	885 036	549 902	1 462 159
Property and equipment	–	–	216 955	216 955
Investment properties	–	–	–	–
Goodwill	–	–	252 958	252 958
Intangible assets	–	–	75 341	75 341
	5 434 836	**18 003 253**	**1 231 450**	**24 669 539**
Liabilities				
Deposits by banks	336	1 450 127	–	1 450 463
Derivative financial instruments**	1 246 109	–	–	1 246 109
Other trading liabilities	118 572	–	–	118 572
Repurchase agreements and cash collateral on securities lent	21 679	375 132	–	396 811
Customer accounts (deposits)	–	15 505 883	–	15 505 883
Debt securities in issue	219 915	806 559	–	1 026 474
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Current taxation liabilities	–	–	43 470	43 470
Deferred taxation liabilities	–	–	22 112	22 112
Other liabilities	–	1 039 298	591 466	1 630 764
	1 717 290	**19 176 999**	**657 048**	**21 551 337**
Subordinated liabilities	343 233	443 797	–	787 030
	2 060 523	**19 620 796**	**657 048**	**22 338 367**

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Group				
2020				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	84 197	–
Sovereign debt securities	1 688 670	1 688 670	–	–
Bank debt securities	51 238	–	51 238	–
Other debt securities	217 364	–	74 369	142 995
Derivative financial instruments	1 251 394	–	1 221 749	29 645
Securities arising from trading activities	582 693	552 922	23 571	6 200
Investment portfolio	350 662	7 120	4 456	339 086
Loans and advances to customers	1 075 179	–	7 803	1 067 376
Other securitised assets	106 218	–	–	106 218
Other assets	27 221	27 221	–	–
	5 434 836	**2 275 933**	**1 467 383**	**1 691 520**
Liabilities				
Deposits by banks	336	–	–	336
Derivative financial instruments	1 246 109	13 853	1 205 575	26 681
Other trading liabilities	118 572	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	21 679	–
Debt securities in issue	219 915	–	219 915	–
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Subordinated liabilities	343 233	343 233	–	–
	2 060 523	**475 658**	**1 447 169**	**137 696**
Net assets at fair value	**3 374 313**	**1 800 275**	**20 214**	**1 553 824**

Transfers between level 1 and level 2

During the current year there were no transfers between level 1 and level 2.

Fair value hierarchy *(continued)*

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

£'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Assets					
Balance as at 1 April 2019	**467 646**	**1 169 133**	**118 143**	**128 923**	**1 883 845**
Total gains or (losses)	(30 258)	33 246	(1 425)	25 725	27 288
In the income statement	(30 258)	32 768	(1 425)	25 725	26 810
In the statement of comprehensive income	–	478	–	–	478
Purchases	37 944	1 349 058	–	59 048	1 446 050
Sales	(132 642)	(1 039 464)	–	(1 082)	(1 173 188)
Issues	–	–	–	–	–
Settlements	(6 091)	(475 929)	(10 500)	(33 357)	(525 877)
Transfers into level 3	106	–	–	–	106
Transfers out of level 3	(4 785)	–	–	–	(4 785)
Foreign exchange adjustments	7 166	31 332	–	(417)	38 081
Balance as at 31 March 2020	**339 086**	**1 067 376**	**106 218**	**178 840**	**1 691 520**

£'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 2019	**113 711**	**16 626**	**130 337**
Total (gains) or losses	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
In the statement of comprehensive income	–	–	–
Purchases	–	390	390
Sales	–	–	–
Issues	7 306	–	7 306
Settlements	(8 244)	(719)	(8 963)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Foreign exchange adjustments	–	379	379
Balance as at 31 March 2020	**110 679**	**27 017**	**137 696**

1. *Comprises of other debt securities, derivative financial instruments and securities arising from trading.*
2. *Comprises of deposits by banks and derivative financial instruments.*

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

For the year ended 31 March 2020, there were no transfers from level 3 into level 2. There were transfers from level 3 into level 1 of £4.8 million due to the listing of two securities during the year (31 March 2019: £nil). In the current year, there were £106k assets transfers from level 2 to level 3 as the inputs are no longer based on observable market data (31 March 2019: £nil).

Fair value hierarchy *(continued)*

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March 2020 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Fee and commission (expense)/income	(3 184)	–	(3 184)
Investment income*	(53 944)	62 989	(116 933)
Trading income arising from customer flow	(1 895)	–	(1 895)
	18 563	**123 911**	**(105 348)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	–	478
	2 172	**1 694**	**478**

* *Included within the investment income balance are unrealised losses of £75.8 million presented within non-operational items in the income statement.*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2020 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation,	Discount rates
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Loans and advances to customers	Earnings multiple	Company earnings
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	Discount rates

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 427	(12 439)
		Credit spreads	0.38% - 0.88%	23	(144)
		Cash flow adjustments	CPR 6.8%	9	(9)
		Discount rate	5.56%	7	(43)
		Underlying asset value^^	^^	454	(442)
		Other^	^	3 934	(11 801)
Derivative financial instruments	29 645	Potential impact on income statement		8 232	(8 846)
		Volatilities	4.1% - 25.3%	94	(283)
		Cash flow adjustments	CPR 6.8%	33	(31)
		Underlying asset value^^	^^	7 891	(7 891)
		Other^	^	214	(641)
Securities arising from trading activities	6 200	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	736	(870)
Investment portfolio	339 086	Potential impact on income statement		41 133	(101 468)
		Price earnings multiple	5.3x -9.7 x	5 210	(12 742)
		Underlying asset value^^	^^	9 553	(8 695)
		Other^	^	26 370	(80 031)
Loans and advances to customers	1 067 376	Potential impact on income statement		19 020	(50 747)
		Credit spreads	0.05% -5.9% & PAR	1 099	(7 041)
		Price earnings multiple	3.85x-7x	636	(466)
		Underlying asset value^^	^^	647	352
		Other^	^	16 638	(43 592)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% -5.8% & PAR	4 645	(724)
Other securitised assets	106 218	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	2 543	(2 530)
Total level 3 assets	**1 691 520**			**80 736**	**(177 624)**
Liabilities					
Deposits by banks	336	Potential impact on income statement			
		Underlying asset value^^	^^	–	48
Derivative financial instruments	26 681	Potential impact on income statement		(7 929)	7 937
		Cash flow adjustments	5.6%	(24)	4
		Volatilities	4.1% -25.3%	(14)	42
		Underlying asset value^^	^^	(7 891)	7 891
Liabilities arising on securitisation of other assets*	110 679	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	(546)	489
Total level 3 liabilities	**137 696**			**(8 475)**	**8 474**
Net level 3 assets	**1 553 824**				

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.*

^^ *Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.*

Within the Hong Kong direct investment portfolio in rundown there are exposures within the investment portfolio with a balance sheet value of £26 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.8 million and a unfavourable change of £8.4 million, included within the table above.

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flows valuation.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

Fair value of financial instruments at amortised cost

At 31 March 2020 £'000	Carrying amount	Fair value
Assets		
Cash and balances at central banks	2 277 318	2 277 318
Loans and advances to banks	1 793 867	1 793 710
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 542 976
Other debt securities	478 454	445 886
Loans and advances to customers	10 759 028	10 790 016
Other loans and advances	266 501	254 259
Other assets	885 036	884 946
	18 003 253	**17 989 111**
Liabilities		
Deposits by banks	1 450 127	1 453 423
Repurchase agreements and cash collateral on securities lent	375 132	388 347
Customer accounts (deposits)	15 505 883	15 514 588
Debt securities in issue	806 559	814 585
Other liabilities	1 039 298	1 038 501
Subordinated liabilities	443 797	409 723
	19 620 796	**19 619 167**

Reclassification of Deposits

Following a review of the contractual terms of certain Investec Structured Products, funds held within some Investment plans have been reclassified to Customer accounts (deposits) as at 31 March 2020 from Debt securities in issue. This reclassification is to better reflect the underlying characteristics of these plans and the liquidity of the products which is more aligned to Customer accounts (deposits). The balance of these plans was £823 million as at 31 March 2020. Management consider that this amount was not material to the users of the balance sheet in the prior year and so has not made the same reclassification in the prior year, if this change had been made at 31 March 2019 the impact would have been a movement of £825 million from Debt securities in issue to Customer accounts (deposits).

Updates to accounting policies

Implementation of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

As a lessee, the group now recognises a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made. The ROU asset is being amortised to the income statement over the life of the lease.

As permitted by the standard the group applied IFRS 16 on a modified retrospective basis without restating prior years.

The group elected to take advantage of the following transition options on transition at 1 April 2019:

- applied IFRS 16 to contracts previously identified as leases by IAS 17
- calculated the ROU asset equal to the lease liability, adjusted for prepaid or accrued payments
- used the incremental borrowing rate as the discount rate
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- relied on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets created on 1 April 2019. Where this is the case the carrying amount of the assets has been adjusted by the onerous lease provision.

The impact on adoption was the recognition of ROU assets of £141 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £500 million, with no impact on retained income. An existing accrual of £29 million was adjusted against the ROU assets.

IAS 12 – Income Taxes – Amendments to IAS 12

The IASB amended IAS 12 in order to clarify the accounting treatment of income tax consequences of dividends. As a result, the tax relief of all payments on financial instruments that are classified as equity for accounting purposes previously taken directly to retained profits, will now be reported as a reduction to the tax charge in the income statement. Comparatives have been restated. This resulted in reducing the tax charge and increasing the profit after tax for the year ended 31 March 2020 £3.2 million (31 March 2019: £2.6 million).

Events after the reporting date

The significant judgements and estimates applied to prepare the financial statements as at 31 March reflected the impact of Covid-19 and the resulting lockdown as at the reporting date.

These judgments, specifically those relating to the impairment of loans and advances and valuation of fair value instruments were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the reporting date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of Covid-19.

Some of the markets in which we operate are showing signs of recovery with less new Covid-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. The Group believe that the significant judgements and estimates made at the reporting date incorporated the impact of Covid-19 and that the level of uncertainty relating to the deterioration in macro-economic forecasts and the positive impact of government assistance is currently too uncertain to be able to quantify a subsequent impact. However, should the Covid-19 crisis cause disruption to global economic activity for an extended period than forecast this could put upward pressure on our ECLs and downward pressure on other valuations.

The Group is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

RESTATEMENTS

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long-term.

In this regard the following strategic actions have been effected:

- Closure of Click & Invest which formed part of the UK wealth management business
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch
- Sale of the UK Property Fund
- Closure and rundown of the Hong Kong direct investments business.

We have elected to separately disclose the financial impact of these strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, we consider it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement.

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before acquired intangibles and strategic actions whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the year to 31 March 2019 by £2.6 million.

These reclassifications in the income statement for the prior reported periods and the consequential restated comparatives have been shown below.

The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement.

£'000	Year to 31 March 2019 as previously reported	Re-classification	**Year to 31 March 2019 restated**
Interest income	727 742	(4 421)	723 321
Interest expense	(336 363)	11 326	(325 037)
Net interest income	**391 379**	**6 905**	**398 284**
Fee and commission income	523 247	(23 152)	500 095
Fee and commission expense	(12 366)	(841)	(13 207)
Investment income	34 236	57 859	92 095
Share of post-taxation profit of associates and joint venture holdings	2 830	(150)	2 680
Trading income arising from			
– customer flow	86 766	–	86 766
– balance sheet management and other trading activities	12 732	(79)	12 653
Other operating income	10 476	–	10 476
Total operating income before expected credit loss impairment charges	**1 049 300**	**40 542**	**1 089 842**
Expected credit loss impairment charges	(24 991)	4	(24 987)
Operating income	**1 024 309**	**40 546**	**1 064 855**
Operating costs	(819 169)	26 789	(792 380)
Depreciation on operating leased assets	(2 137)	–	(2 137)
Operating profit before acquired intangibles and strategic actions	**203 003**	**67 335**	**270 338**
Amortisation of acquired intangibles	(12 958)	–	(12 958)
Closure and rundown of the Hong Kong direct investments business	–	(65 593)	(65 593)
Operating profit	**190 045**	**1 742**	**191 787**
Financial impact of group restructures	(12 853)	(1 742)	(14 595)
Profit before taxation	**177 192**	**–**	**177 192**
Taxation on operating profit before acquired intangibles and strategic actions	(27 216)	(10 137)	(37 353)
Taxation on acquired intangibles and strategic actions	4 822	12 777	17 599
Profit after taxation	**154 798**	**2 640**	**157 438**
Loss attributable to other non-controlling interests	4 479	–	4 479
Earnings attributable to shareholder	**159 277**	**2 640**	**161 917**

Financial impact of strategic actions

£'000	Year to 31 March 2020	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*	(89 257)	(65 593)
Financial impact of group restructures	(26 898)	(14 595)
Closure of Click & Invest	(3 973)	(14 265)
Sale of the Irish Wealth & Investment business	18 215	–
Restructure of the Irish branch	(41 110)	(330)
Sale of UK Property Fund	83	–
Other	(113)	–
Financial impact of strategic actions	**(116 155)**	**(80 188)**

* *Included within the balance are fair value adjustments of £83.2 million (31 March 2019: £57.8 million).*

An analysis of gross core loans and advances, asset quality and ECL

Composition of core loans and advances

£'million	31 March 2020	31 March 2019
Loans and advances to customers per the balance sheet	11 834	10 488
ECL held against FVOCI loans reported on the balance sheet within reserves	(2)	(1)
Net core loans and advances	**11 832**	**10 487**
of which amortised cost and FVOCI ('subject to ECL')	11 179	9 715
of which FVPL	653	772
Add: ECL	175	149
Gross core loans and advances	**12 007**	**10 636**
of which amortised cost and FVOCI ('subject to ECL')	11 354	9 864
of which FVPL	653	772

An analysis of gross core loans and advances subject to ECL by stage

£'million	31 March 2020	31 March 2019
Gross core loans and advances subject to ECL	**11 354**	**9 864**
Stage 1	10 399	8 969
Stage 2	576	576
of which past due greater than 30 days	*31*	*13*
Stage 3	379	319
of which Ongoing (excluding Legacy) Stage 3*	*249*	*149*
Gross core loans and advances subject to ECL (%)		
Stage 1	91.6%	91.0%
Stage 2	5.1%	5.8%
Stage 3	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3*	*2.2%*	*1.5%*

An analysis of ECL impairments on gross core loans and advances subject to ECL

£'million	31 March 2020	31 March 2019
ECL impairment charges on core loans and advances	(74)	(36)
Average gross core loans and advances subject to ECL	10 609	9 371
Credit loss ratio	**0.69%**	**0.38%**

£'million	31 March 2020	31 March 2019
ECL	**(175)**	**(149)**
Stage 1	(37)	(14)
Stage 2	(31)	(27)
Stage 3	(107)	(108)
of which Ongoing (excluding Legacy) Stage 3*	*(62)*	*(35)*
Coverage ratio (%)		
Stage 1	0.4%	0.2%
Stage 2	5.4%	4.7%
Stage 3	28.2%	33.9%
of which Ongoing (excluding Legacy) Stage 3*	*24.9%*	*23.5%*

* *Refer to definitions on page 27.*

A further analysis of Stage 3 gross core loans and advances subject to ECL

£'million	31 March 2020	31 March 2019
Stage 3 net of ECL	272	211
of which Ongoing (excluding Legacy) Stage 3*	187	*114*
Aggregate collateral and other credit enhancements on Stage 3	274	228
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3*	*2.2%*	*1.5%*
Total ECL as a % of Stage 3 exposure	46.2%	46.7%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%
of which Ongoing (excluding Legacy) Stage 3*	*1.7%*	*1.2%*

* *Refer to definitions on page 27.*

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

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2020										
Mortgages	2 438	(2)	19	–	28	(1)	2 485	(3)	–	2 485
High net worth and specialised lending	620	–	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio	**0.07%**		**3.33%**		**12.50%**		**0.22%**			
At 31 March 2019										
Mortgages	1 778	–	22	(1)	25	(1)	1 825	(2)	–	1 825
High net worth and specialised lending	474	–	14	(1)	4	(3)	492	(4)	15	507
Total high net worth and other private client lending	**2 252**	**–**	**36**	**(2)**	**29**	**(4)**	**2 317**	**(6)**	**15**	**2 332**
Coverage ratio	**–**		**5.56%**		**13.79%**		**0.26%**			

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

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Commercial real estate	**983**	**(1)**	**105**	**(12)**	**125**	**(12)**	**1 213**	**(25)**	**42**	**1 255**
Commercial real estate – investment	803	(1)	99	(11)	122	(12)	1 024	(24)	38	1 062
Commercial real estate – development	180	–	–	–	3	–	183	–	4	187
Commercial vacant land and planning	–	–	6	(1)	–	–	6	(1)	–	6
Residential real estate	**607**	**–**	**12**	**–**	**108**	**(39)**	**727**	**(39)**	**30**	**757**
Residential real estate – investment	253	–	8	–	36	(12)	297	(12)	28	325
Residential real estate – development	354	–	3	–	38	(8)	395	(8)	–	395
Residential vacant land and planning	–	–	1	–	34	(19)	35	(19)	2	37
Total lending collateralised by property	**1 590**	**(1)**	**117**	**(12)**	**233**	**(51)**	**1 940**	**(64)**	**72**	**2 012**
Coverage ratio	**0.06%**		**10.26%**		**21.89%**		**3.30%**			
At 31 March 2019										
Commercial real estate	**908**	**(1)**	**158**	**(11)**	**106**	**(22)**	**1 172**	**(34)**	**11**	**1 183**
Commercial real estate – investment	790	(1)	149	(10)	104	(22)	1 043	(33)	10	1 053
Commercial real estate – development	118	–	3	–	–	–	121	–	1	122
Commercial vacant land and planning	–	–	6	(1)	2	–	8	(1)	–	8
Residential real estate	**599**	**–**	**14**	**–**	**122**	**(53)**	**735**	**(53)**	**40**	**775**
Residential real estate – investment	330	–	9	–	29	(11)	368	(11)	35	403
Residential real estate – development	268	–	2	–	57	(24)	327	(24)	3	330
Residential vacant land and planning	1	–	3	–	36	(18)	40	(18)	2	42
Total lending collateralised by property	**1 507**	**(1)**	**172**	**(11)**	**228**	**(75)**	**1 907**	**(87)**	**51**	**1 958**
Coverage ratio	**0.07%**		**6.40%**		**32.89%**		**4.56%**			

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

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	367	(2)	36	(1)	–	–	403	(3)	20	423
Fund finance	1 293	(2)	–	–	–	–	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	–	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 578	(11)	143	(7)	28	(15)	1 749	(33)	–	1 749
Large ticket asset finance	25	–	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	–	77	(3)	8	–	424	(3)	80	504
Resource finance	51	–	–	–	–	–	51	–	–	51
Total corporate and other lending	**5 751**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 294**	**(104)**	**567**	**6 861**
Coverage ratio	**0.59%**		**4.20%**		**45.61%**		**1.65%**			
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	314	–	53	(1)	–	–	367	(1)	–	367
Fund finance	1 156	(1)	–	–	–	–	1 156	(1)	55	1 211
Other corporate and financial institutions and governments	396	(1)	27	(1)	–	–	423	(2)	219	642
Asset finance	1 599	(6)	108	(6)	56	(28)	1 763	(40)	171	1 934
Small ticket asset finance	1 451	(6)	86	(5)	26	(14)	1 563	(25)	–	1 563
Large ticket asset finance	148	–	22	(1)	30	(14)	200	(15)	171	371
Power and infrastructure finance	404	–	55	(3)	6	(1)	465	(4)	37	502
Resource finance	13	–	–	–	–	–	13	–	12	25
Total corporate and other lending	**5 210**	**(13)**	**368**	**(14)**	**62**	**(29)**	**5 640**	**(56)**	**706**	**6 346**
Coverage ratio	**0.25%**		**3.80%**		**46.77%**		**0.99%**			

Capital structure and capital adequacy

£'million	31 March 2020°^^	31 March 2019°^^
Shareholder's equity	**2 061**	**1 889**
Shareholder's equity excluding non-controlling interests	2 078	1 921
Foreseeable charges and dividends	–	(19)
Deconsolidation of special purpose entities	(17)	(13)
Non-controlling interests	**–**	**(8)**
Non-controlling interests per balance sheet	3	(8)
Non-controlling interests excluded for regulatory purposes	(3)	–
Regulatory adjustments to the accounting basis	**91**	**110**
Additional value adjustments	(7)	(5)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	21
Adjustment under IFRS 9 transitional arrangements	86	94
Deductions	**(333)**	**(348)**
Goodwill and intangible assets net of deferred tax	(315)	(335)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(18)	(13)
Common equity tier 1 capital	**1 819**	**1 643**
Additional tier 1 capital	**250**	**250**
Additional tier 1 instruments	250	250
Tier 1 capital	**2 069**	**1 893**
Tier 2 capital	**533**	**596**
Tier 2 instruments	533	596
Total regulatory capital	**2 602**	**2 489**
Risk-weighted assets	**15 808**	**14 631**
Capital ratios		
Common equity tier 1 ratio	11.5%	11.2%
Tier 1 ratio	13.1%	12.9%
Total capital ratio	16.5%	17.0%

° *The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET1) capital as required under the Capital Requirements Regulation (CRR) and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec group's 2020 and 2019 integrated annual reports, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec Bank plc's CET1 ratio would be 0bps (31 March 2019: 13bps) higher on this basis.*

^^ *CET1, Tier 1, total capital adequacy ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements.*

Capital requirements

£'million	31 March 2020	31 March 2019
Capital requirements	**1 265**	**1 170**
Credit risk	972	893
Equity risk	10	9
Counterparty credit risk	74	49
Credit valuation adjustment risk	5	6
Market risk	58	67
Operational risk	146	146
Risk-weighted assets (banking and trading)	**15 808**	**14 631**
Credit risk	12 145	11 174
Equity risk	125	115
Counterparty credit risk	922	611
Credit valuation adjustment risk	59	76
Market risk	726	833
Operational risk	1 831	1 822

Leverage

£'million	31 March 2020	31 March 2019
Total exposure measure	25 817	23 849
Tier 1 capital (as reported)°	2 069	1 893
Leverage ratio – current**	**8.0%**	**7.9%**
Leverage ratio – 'fully loaded'^^**	**7.7%**	**7.7%**
Leverage ratio** – current UK leverage ratio framework^^^	9.1%	10.0%

A summary of capital adequacy and leverage ratios

	31 March 2020*	31 March 2019*
Common equity tier 1 (as reported)°	11.5%	11.2%
Common equity tier 1 ('fully loaded')^^	11.1%	10.8%
Tier 1 (as reported)°	13.1%	12.9%
Total capital ratio (as reported)°	16.5%	17.0%
Leverage ratio** – current	8.0%	7.9%
Leverage ratio** – 'fully loaded'^^	7.7%	7.7%
Leverage ratio** – current UK leverage ratio framework^^^	9.1%	10.0%

* *The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under the CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec group's 2020 and 2019 integrated annual reports, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec Bank plc's CET1 ratio would be 0bps (31 March 2019: 13bps) higher on this basis.*

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

^^ *Based on the group's understanding of current regulations, 'fully loaded' is based on CRR requirements as fully phased in by 2022, including full adoption of IFRS 9. As a result of the adoption of IFRS 9 Investec Bank plc elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2020 of £9 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.*

o *The reported CET1, T1 and total capital ratios are calculated applying the IFRS 9 transitional arrangements.*

^^^ *Investec Bank plc is not subject to the UK leverage ratio framework, however, for comparative purposes this ratio has been disclosed. This framework excludes qualifying central bank balances from the calculation of the leverage exposure measure.*

ANNEXURE 1 – ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures constitute *pro forma* financial information. The *pro forma* financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below

£'000	**31 March 2020**	31 March 2019
Operating profit before acquired intangibles and strategic actions	174 468	270 338
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Adjusted operating profit	***173 604***	*274 817*

Annuity income	Net interest income (refer to page 7) plus net annuity fees and commissions (refer to page 8)
Cost to income ratio	Refer to calculation in the table below

£'000	**31 March 2020**	31 March 2019
Operating costs (A)	705 626	792 380
Total operating income before expected credit loss impairment charges	957 207	1 089 842
Less: Depreciation on operating leased assets	(1 407)	(2 137)
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Total (B)	954 936	1 092 184
Cost to income ratio (A/B)	***73.9%***	*72.6%*

Coverage ratio	ECL as a percentage of gross core and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Gearing ratio	Total assets excluding assurance assets divided by total equity
Gross core loans and advances	Refer to calculation on page 20
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)
Net core loans and advances	Refer to calculation on page 20
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 7.

Cash and near cash

Includes cash, near cash (other 'monetisable assets') and Central Bank cash placements and guaranteed liquidity

ECL

Expected credit loss

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post taxation profit of associates and joint venture holdings

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and finance lease receivables. Refer to page 7 for calculation

Interest-bearing liabilities

Deposits by banks, customer accounts (deposits), repurchase agreements and cash collateral on securities lent, debt securities in issue, lease liabilities and subordinated liabilities. Refer to page 7 for calculation

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

Includes closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment business