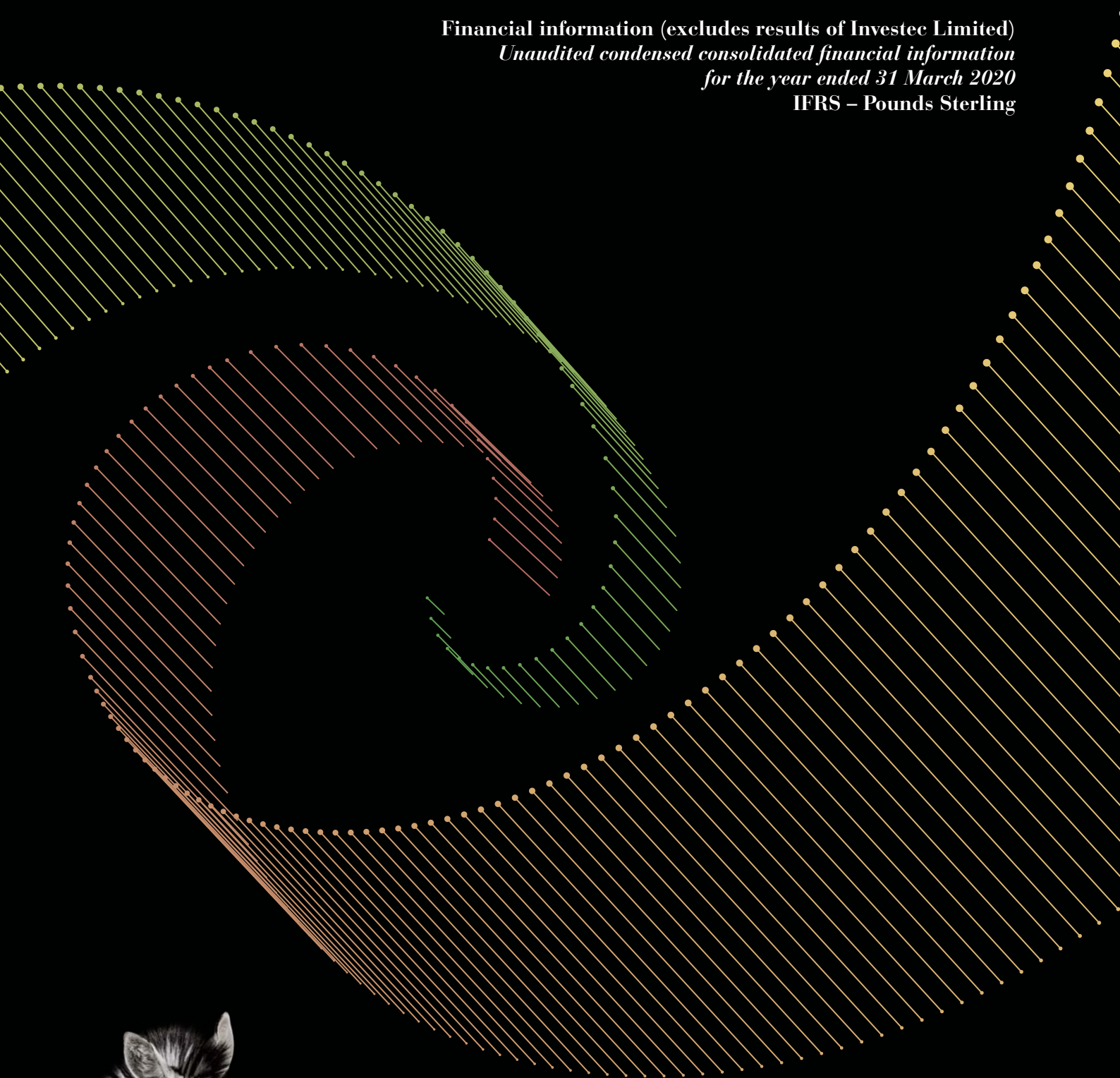


INVESTEC | 2020
PLC

Financial information (excludes results of Investec Limited)
Unaudited condensed consolidated financial information
for the year ended 31 March 2020
IFRS – Pounds Sterling



OVERVIEW OF RESULTS

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 30. All other definitions can be found on page 31.

All income statement related items shown below have been reflected on a Continuing Operations basis, unless otherwise specified.

Key financial statistics	31 March 2020	31 March 2019 [^]	% change
Total operating income before expected credit loss impairment charges (£'000)	948 249	1 076 334	(11.9%)
Operating costs (£'000)	740 792	823 374	(10.0%)
Adjusted operating profit (£'000)	129 386	230 746	(43.9%)
Earnings attributable to ordinary shareholders (£'000)	645 521	192 390	235.5%
Cost to income ratio (%)	78.3%	76.3%	
Total capital resources (including subordinated liabilities) (£'000)	3 175 859	3 088 971	2.8%
Total equity (£'000)	2 388 829	2 285 272	4.5%
Total assets (£'000)	24 924 703	22 636 653	10.1%
Net core loans and advances (£'000)	11 870 160	10 514 251	12.9%
Customer accounts (deposits) (£'000)	15 280 302	13 150 824	16.2%
Loans and advances to customers as a % of customer deposits	77.7%	80.0%	
Cash and near cash balances (£'million)	6 040	6 991	(13.6%)
Funds under management (£'million)*	33 465	39 482	(15.2%)
Total gearing ratio (i.e. total assets to equity)	10.4x	9.9x	
Total capital ratio	14.9%	15.4%	
Tier 1 ratio	12.4%	12.2%	
Common equity tier 1 ratio	10.7%	10.4%	
Leverage ratio – current	7.8%	7.7%	
Leverage ratio – 'fully loaded'	7.4%	7.3%	
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	2.2%	2.2%	
Credit loss ratio	0.69%	0.38%	

[^] Restated as detailed on pages 21 to 23.

* In order to be comparable with the 2020 financial year, the 2019 funds under management figure above reflects that of Continuing operations only (i.e. excludes funds under management related to the asset management business as at 31 March 2019)

CONSOLIDATED INCOME STATEMENT

£'000	Year to 31 March 2020	Year to 31 March 2019 [^]
Interest income	784 396	723 014
Interest expense	(387 011)	(337 188)
Net interest income	397 385	385 826
Fee and commission income	496 036	500 502
Fee and commission expense	(13 836)	(13 444)
Investment income	6 375	90 533
Share of post taxation profit of associates and joint venture holdings	5 382	2 950
Trading income arising from		
– customer flow	50 980	86 766
– balance sheet management and other trading activities	(537)	12 725
Other operating income	6 464	10 476
Total operating income before expected credit loss impairment charges	948 249	1 076 334
Expected credit loss impairment charges	(75 800)	(24 556)
Operating income	872 449	1 051 778
Operating costs	(740 792)	(823 374)
Depreciation on operating leased assets	(1 407)	(2 137)
Operating profit before acquired intangibles and strategic actions	130 250	226 267
Amortisation of acquired intangibles	(12 915)	(12 958)
Closure and rundown of the Hong Kong direct investments business	(89 257)	(65 593)
Operating profit	28 078	147 716
Financial impact of group restructures	(25 725)	(14 595)
Profit before taxation from continuing operations	2 353	133 121
Taxation on operating profit before acquired intangibles and strategic actions	706	(29 876)
Taxation on acquired intangibles and strategic actions	20 926	17 599
Profit after taxation from continuing operations	23 985	120 844
Profit after taxation from discontinued operations	640 506	83 009
Profit after taxation	664 491	203 853
Profit attributable to non-controlling interests of discontinued operations	(18 106)	(15 942)
Profit / Loss attributable to other non-controlling interests	(864)	4 479
Earnings attributable to shareholders	645 521	192 390

[^] Restated as detailed on pages 21 to 23.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Year to 31 March 2020	Year to 31 March 2019 [^]
Profit after taxation from continuing operations	23 985	120 844
Other comprehensive income/(loss) from continuing operations:		
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	1 505
Foreign currency adjustments on translating foreign operations ^{**}	(2 705)	3 891
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:		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	37 515	–
Gains attributable to own credit risk [*]	9 440	9 104
Movement in post retirement benefit liabilities	51	50
Total comprehensive income from continuing operations	68 424	131 915
Total comprehensive income/(loss) attributable to non-controlling interests from continuing operations	864	(4 892)
Total comprehensive income attributable to ordinary shareholders from continuing operations	50 131	119 437
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	17 429	17 370
Total comprehensive income from continuing operations	68 424	131 915
Profit after taxation from discontinued operations	640 506	83 009
Other comprehensive income/(loss) from discontinued operations:		
Items that may be reclassified to the income statement:		
Foreign currency adjustments on translating foreign operations ^{***}	1 808	(124)
Remeasurement of net defined benefit pension asset	(1 217)	(1 974)
Total comprehensive income from discontinued operations	641 097	80 911
Total comprehensive income attributable to non-controlling interests from discontinued operations	18 106	15 942
Total comprehensive income attributable to ordinary shareholders from discontinued operations	622 992	64 969
Total comprehensive income from discontinued operations	641 097	80 911
Profit after taxation	664 491	203 853
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	1 505
Foreign currency adjustments on translating foreign operations	(897)	3 767
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:		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	37 515	–
Gains attributable to own credit risk [*]	9 440	9 104
Remeasurement of net defined benefit pension asset	(1 217)	(1 974)
Movement in post retirement benefit liabilities	51	50
Total comprehensive income	709 521	212 826
Total comprehensive income attributable to non-controlling interests	18 970	11 050
Total comprehensive income attributable to ordinary shareholders	673 122	184 406
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	17 429	17 370
Total comprehensive income	709 521	212 826

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

[^] Restated as detailed on pages 21 to 23.

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

^{***} Includes £315k gains on recycling of currency translation differences from demerger of Investec asset management business.

CONSOLIDATED BALANCE SHEET

£'000	At 31 March 2020	At 31 March 2019
Assets		
Cash and balances at central banks	2 277 318	4 445 431
Loans and advances to banks	1 794 165	1 164 051
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	685 936	498 265
Derivative financial instruments	1 251 135	625 550
Securities arising from trading activities	582 693	798 224
Investment portfolio	635 297	493 268
Loans and advances to customers	11 871 849	10 515 665
Other loans and advances	191 930	207 863
Other securitised assets	106 218	118 143
Interests in associated undertakings and joint venture holdings	54 391	53 451
Deferred taxation assets	130 657	148 351
Other assets	1 425 868	1 028 611
Property and equipment	216 955	99 796
Investment properties	–	14 500
Goodwill	261 183	356 048
Intangible assets	71 954	85 022
	24 924 703	22 636 653
Liabilities		
Deposits by banks	1 419 298	1 330 843
Derivative financial instruments	1 245 333	707 692
Other trading liabilities	118 572	80 217
Repurchase agreements and cash collateral on securities lent	396 811	314 335
Customer accounts (deposits)	15 280 302	13 150 824
Debt securities in issue	1 467 870	2 454 551
Liabilities arising on securitisation of other assets	110 679	113 711
Current taxation liabilities	26 905	131 896
Deferred taxation liabilities	21 438	20 704
Other liabilities	1 661 636	1 242 909
	21 748 844	19 547 682
Subordinated liabilities	787 030	803 699
	22 535 874	20 351 381
Equity		
Ordinary share capital	202	200
Perpetual preference share capital	29	29
Share premium	831 577	1 382 732
Treasury shares	(140 559)	(113 651)
Other reserves	(147 971)	(175 878)
Retained income	1 592 182	928 753
Shareholders' equity excluding non-controlling interests	2 135 460	2 022 185
Other Additional Tier 1 securities in issue	250 000	250 000
Non-controlling interests in partially held subsidiaries	3 369	13 087
Total equity	2 388 829	2 285 272
Total liabilities and equity	24 924 703	22 636 653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 31 March 2018	195	29	1 317 115	(102 876)
Adoption of IFRS 9	–	–	–	–
At 1 April 2018	195	29	1 317 115	(102 876)
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	–	–	–	–
Remeasurement of net defined benefit pension asset	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	5	–	65 617	–
Net equity impact of non-controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	–	(10 775)
Transfer own credit reserve on sale of subordinated liabilities	–	–	–	–
At 31 March 2019	200	29	1 382 732	(113 651)
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	–	–	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income [^]	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Gains attributable to own credit risk	–	–	–	–
Remeasurement of net defined benefit pension asset	–	–	–	–
Movement in post retirement benefit liabilities	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	64 642	–
Acquisition/disposal of non-controlling interests	–	–	(615 797)	–
Net equity impact of non-controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	–	(26 908)
Distribution to shareholders	–	–	–	–
At 31 March 2020	202	29	831 577	(140 559)

[^] Restated as detailed on pages 21 to 23.

Other reserves

Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
(131 158)	10 151	1 846	-	979 649	2 074 951	250 000	15 750	2 340 701
-	(7 619)	-	(55 388)	(148 924)	(211 931)	-	-	(211 931)
(131 158)	2 532	1 846	(55 388)	830 725	1 863 020	250 000	15 750	2 128 770
-	-	-	-	192 390	192 390	-	11 463	203 853
-	(47)	-	(817)	(708)	(1 572)	-	-	(1 572)
-	(1 907)	-	-	-	(1 907)	-	-	(1 907)
-	1 505	-	-	-	1 505	-	-	1 505
-	1	4 179	-	-	4 180	-	(413)	3 767
-	-	-	9 104	-	9 104	-	-	9 104
-	-	-	-	(1 924)	(1 924)	-	-	(1 924)
-	(448)	4 179	8 287	189 758	201 776	-	11 050	212 826
-	-	-	-	30 164	30 164	-	-	30 164
-	-	-	-	(109 334)	(109 334)	-	-	(109 334)
-	-	-	-	(490)	(490)	-	-	(490)
-	-	-	-	(16 880)	(16 880)	16 880	-	-
-	-	-	-	-	-	(16 880)	-	(16 880)
-	-	-	-	-	-	-	(14 110)	(14 110)
-	-	-	-	-	65 622	-	-	65 622
-	-	-	-	30 534	30 534	-	397	30 931
(31 452)	-	-	-	-	(42 227)	-	-	(42 227)
-	-	-	25 724	(25 724)	-	-	-	-
(162 610)	2 084	6 025	(21 377)	928 753	2 022 185	250 000	13 087	2 285 272
-	-	-	-	645 521	645 521	-	18 970	664 491
-	(887)	-	(247)	-	(1 134)	-	-	(1 134)
-	(1 372)	-	-	-	(1 372)	-	-	(1 372)
-	2 644	-	-	-	2 644	-	-	2 644
-	37 515	-	-	-	37 515	-	-	37 515
-	-	(897)	-	-	(897)	-	-	(897)
-	-	-	9 440	-	9 440	-	-	9 440
-	-	-	-	(1 217)	(1 217)	-	-	(1 217)
-	-	-	-	51	51	-	-	51
-	37 900	(897)	9 193	644 355	690 551	-	18 970	709 521
-	-	-	-	7 653	7 653	-	-	7 653
-	-	-	-	(96 498)	(96 498)	-	-	(96 498)
-	-	-	-	(549)	(549)	-	-	(549)
-	-	-	-	(16 880)	(16 880)	16 880	-	-
-	-	-	-	-	-	(16 880)	-	(16 880)
-	-	-	-	-	-	-	(20 907)	(20 907)
-	-	-	-	-	64 644	-	-	64 644
563	-	-	-	615 797	563	-	(18 212)	(17 649)
-	-	-	-	(972)	(972)	-	10 431	9 459
(18 852)	-	-	-	-	(45 760)	-	-	(45 760)
-	-	-	-	(489 477)	(489 477)	-	-	(489 477)
(180 899)	39 984	5 128	(12 184)	1 592 182	2 135 460	250 000	3 369	2 388 829

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

Segmental business analysis – income statement For the year to 31 March 2020 £'000	Wealth & Investment	Specialist Banking	Group costs	Total group
Continuing operations				
Net interest income	12 604	384 781	–	397 385
Fee and commission income	305 090	190 946	–	496 036
Fee and commission expense	(678)	(13 158)	–	(13 836)
Investment income	(436)	6 811	–	6 375
Share of post taxation profit of associates and joint venture holdings	–	5 382	–	5 382
Trading income arising from				
– customer flow	862	50 118	–	50 980
– balance sheet management and other trading activities	108	(645)	–	(537)
Other operating income	181	6 283	–	6 464
Total operating income before expected credit loss impairment charges	317 731	630 518	–	948 249
Expected credit loss impairment release/(charges)	1	(75 801)	–	(75 800)
Operating income	317 732	554 717	–	872 449
Operating costs	(254 714)	(449 790)	(36 288)	(740 792)
Depreciation on operating leased assets	–	(1 407)	–	(1 407)
Operating profit before acquired intangibles and strategic actions from continuing operations	63 018	103 520	(36 288)	130 250
Profit attributable to other non-controlling interests	–	(864)	–	(864)
Adjusted operating profit from continuing operations	63 018	102 656	(36 288)	129 386
Operating profit from discontinued operations				109 103
Profit attributable to non-controlling interests of discontinued operations				(18 106)
Adjusted operating profit after non-controlling interests				220 383
Selected returns and key statistics				
Cost to income ratio*	80.2%	71.6%	n/a	78.3%
Total assets (£'million)	1 013	23 912	n/a	24 925

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

(continued)

Segmental business analysis – income statement[^] For the year to 31 March 2019 £'000	Wealth & Investment	Specialist Banking	Group costs	Total group
Continuing operations				
Net interest income	9 189	376 637	–	385 826
Fee and commission income	306 070	194 432	–	500 502
Fee and commission expense	(724)	(12 720)	–	(13 444)
Investment income	1 185	89 348	–	90 533
Share of post taxation profit of associates and joint venture holdings	–	2 950	–	2 950
Trading income arising from				
– customer flow	793	85 973	–	86 766
– balance sheet management and other trading activities	(1)	12 726	–	12 725
Other operating income	342	10 134	–	10 476
Total operating income before expected credit loss impairment charges	316 854	759 480	–	1 076 334
Expected credit loss impairment release/(charges)	(24)	(24 532)	–	(24 556)
Operating income	316 830	734 948	–	1 051 778
Operating costs	(246 202)	(545 654)	(31 518)	(823 374)
Depreciation on operating leased assets	–	(2 137)	–	(2 137)
Operating profit before acquired intangibles and strategic actions from continuing operations	70 628	187 157	(31 518)	226 267
Loss attributable to other non-controlling interests	–	4 479	–	4 479
Adjusted operating profit from continuing operations	70 628	191 636	(31 518)	230 746
Operating profit from discontinued operations				107 835
Profit attributable to non-controlling interests of discontinued operations				(15 942)
Adjusted operating profit after non-controlling interests				322 639
Selected returns and key statistics				
Cost to income ratio*	77.7%	71.6%	n/a	76.3%
Total assets (£'million)	866	21 327	n/a	22 193

[^] Restated as detailed on pages 21 to 23.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

This note analyses net interest income from the group's continuing operations.

		2020		2019 [^]	
For the year to 31 March £'000	Notes	Balance sheet value	Interest income	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 438 637	73 916	7 593 896	61 873
Loans and advances	2	11 871 849	591 615	10 515 665	582 298
Private client		5 075 380	191 210	4 197 181	165 397
Corporate, institutional and other clients		6 796 469	400 405	6 318 484	416 901
Other debt securities and other loans and advances [#]		877 866	101 721	706 128	78 843
Finance lease receivables [*]		322 211	17 144	–	–
Total interest-earning assets		20 510 563	784 396	18 815 689	723 014

		2020		2019 [^]	
For the year to 31 March £'000	Notes	Balance sheet value	Interest expense	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities ^{**}	3	3 283 979	137 594	4 099 729	131 404
Customer accounts (deposits) ^{**}		15 280 302	184 747	13 150 824	154 733
Subordinated liabilities		787 030	48 319	803 699	51 051
Lease liabilities [*]		478 558	16 351	–	–
Total interest-bearing liabilities		19 829 869	387 011	18 054 252	337 188
Net interest income			397 385		385 826
Net interest margin			2.02%		2.16%

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 21 to 23
- ^{*} 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 18 for further information.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

(continued)

Net fee and commission income

This note analyses net fee and commission income from the group's continuing operations.

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	177 788	181 712
Corporate and institutional transactional and advisory services	179 296	183 787
Private client transactional fees	11 650	10 645
Fee and commission expense	(13 158)	(12 720)
Net fee and commission income	482 200	487 058
Annuity fees (net of fees payable)	280 214	275 966
Deal fees	201 986	211 092

[^] Restated as detailed on pages 21 to 23.

Investment income

This note analyses investment income from the group's continuing operations.

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)	51 161	15 558	65 954	4 274	(3 616)	(257)	66 355
Unrealised*	(8 446)	(39 918)	(7 329)	(55 693)	(3 743)	1 814	(8 011)	(65 633)
Dividend income	7	2 892	–	2 899	–	–	–	2 899
Funding and other net related income	–	–	–	–	–	2 754	–	2 754
	(9 204)	14 135	8 229	13 160	531	952	(8 268)	6 375
2019[^]								
Realised	(7 566)	22 251	18 373	33 058	7 313	(7 231)	(13 884)	19 256
Unrealised*	(9 771)	45 416	(769)	34 876	1 530	13 267	10 638	60 311
Dividend income	72	4 161	–	4 233	–	–	–	4 233
Funding and other net related income	23	–	–	23	–	6 710	–	6 733
	(17 242)	71 828	17 604	72 190	8 843	12 746	(3 246)	90 533

* 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 21 to 23.

ADDITIONAL IAS 34 DISCLOSURES

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	–	1 794 165	–	1 794 165
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	468 572	–	685 936
Derivative financial instruments*	1 251 135	–	–	1 251 135
Securities arising from trading activities	582 693	–	–	582 693
Investment portfolio	635 297	–	–	635 297
Loans and advances to customers	1 075 179	10 796 670	–	11 871 849
Other loans and advances	–	191 930	–	191 930
Other securitised assets	106 218	–	–	106 218
Interests in associated undertakings and joint venture holdings	–	–	54 391	54 391
Deferred taxation assets	–	–	130 657	130 657
Other assets	27 221	888 198	510 449	1 425 868
Property and equipment	–	–	216 955	216 955
Investment properties	–	–	–	–
Goodwill	–	–	261 183	261 183
Intangible assets	–	–	71 954	71 954
	5 719 212	17 959 902	1 245 589	24 924 703
Liabilities				
Deposits by banks	336	1 418 962	–	1 419 298
Derivative financial instruments*	1 245 333	–	–	1 245 333
Other trading liabilities	118 572	–	–	118 572
Repurchase agreements and cash collateral on securities lent	21 679	375 132	–	396 811
Customer accounts (deposits)	–	15 280 302	–	15 280 302
Debt securities in issue	219 915	1 247 955	–	1 467 870
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Current taxation liabilities	–	–	26 905	26 905
Deferred taxation liabilities	–	–	21 438	21 438
Other liabilities	–	1 057 076	604 560	1 661 636
	1 716 514	19 379 427	652 903	21 748 844
Subordinated liabilities	343 233	443 797	–	787 030
	2 059 747	19 823 224	652 903	22 535 874

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

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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).

At 31 March 2020 £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
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	1 251 135	–	1 221 490	29 645
Securities arising from trading activities	582 693	552 922	23 571	6 200
Investment portfolio	635 297	286 301	4 454	344 542
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	–	–
	5 719 212	2 555 114	1 467 122	1 696 976
Liabilities				
Deposits by banks	336	–	–	336
Derivative financial instruments	1 245 333	13 853	1 204 799	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	–	–
	2 059 747	475 658	1 446 393	137 696
Net assets at fair value	3 659 465	2 079 456	20 729	1 559 280

Transfers between level 1 and level 2

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

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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	473 442	1 169 133	118 143	128 923	1 889 641
Total gains or (losses)	(30 452)	33 246	(1 425)	25 725	27 094
In the income statement	(30 452)	32 768	(1 425)	25 725	26 616
In the statement of comprehensive income	–	478	–	–	478
Purchases	37 944	1 349 058	–	59 048	1 446 050
Sales	(132 666)	(1 039 464)	–	(1 082)	(1 173 212)
Issues	–	–	–	–	–
Settlements	(6 214)	(475 929)	(10 500)	(33 357)	(526 000)
Transfers into level 3	106	–	–	–	106
Transfers out of level 3	(4 785)	–	–	–	(4 785)
Foreign exchange adjustments	7 167	31 332	–	(417)	38 082
Balance as at 31 March 2020	344 542	1 067 376	106 218	178 840	1 696 976

£'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).

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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*	(54 138)	62 866	(117 004)
Trading income arising from customer flow	(1 895)	–	(1 895)
	18 369	123 788	(105 419)
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 Comparable quoted inputs	Discount rate and fund unit price 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

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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		4 418	(12 430)
		Credit spreads	0.38% -0.88%	23	(144)
		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	(869)
Investment portfolio	344 542	Potential impact on income statement		41 679	(103 105)
		Price earnings multiple	5.3x -9.7x	5 210	(12 742)
		Underlying asset value ^{^^}	^{^^}	9 553	(8 695)
		Other [^]	[^]	26 916	(81 668)
Loans and advances to customers	1 067 376	Potential impact on income statement		19 020	(51 451)
		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% -7.5%	2 543	(2 530)
Total level 3 assets	1 696 976			81 273	(179 955)
Liabilities					
Deposits by banks	336	Potential impact on income statement		-	48
		Underlying asset value ^{^^}	^{^^}	-	48
Derivative financial instruments	26 681	Potential impact on income statement		(7 929)	7 937
		Discount rate	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	1 559 280				

* 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.

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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.

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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	1 794 165	1 794 008
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 542 976
Other debt securities	468 572	436 005
Loans and advances to customers	10 796 670	10 827 537
Other loans and advances	191 930	179 688
Other assets	888 198	888 109
	17 959 902	17 945 641
Liabilities		
Deposits by banks	1 418 962	1 422 256
Repurchase agreements and cash collateral on securities lent	375 132	388 347
Customer accounts (deposits)	15 280 302	15 289 008
Debt securities in issue	1 247 955	1 261 581
Other liabilities	1 057 076	1 056 279
Subordinated liabilities	443 797	409 723
	19 823 224	19 827 194

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).

ADDITIONAL IAS 34 DISCLOSURES

(continued)

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 will 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 £223 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £584 million, with no impact on retained income. An existing accrual of £31 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: £3.2 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.

DISCONTINUED OPERATIONS

Asset Management business

On 13 March 2020, the Investec group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders.

Income statement of discontinued operations

£'000	Year to 31 March 2020	Year to 31 March 2019
Interest income	386	568
Interest expense	(2 620)	–
Net interest income	(2 234)	568
Fee and commission income	574 609	549 113
Fee and commission expense	(182 018)	(170 933)
Investment income	(2 042)	–
Trading income arising from		
– customer flow	–	–
– balance sheet management and other trading activities	1 634	5 120
Other operating income	4 697	3 773
Total operating income before expected credit loss impairment charges	394 646	387 641
Expected credit loss impairment charges	–	7
Operating income	394 646	387 648
Operating costs	(285 543)	(279 813)
Operating profit before acquired intangibles and strategic actions	109 103	107 835
Amortisation of acquired intangibles	–	–
Operating profit	109 103	107 835
Financial impact of group restructures	549 262	(6 191)
Profit before taxation	658 365	101 644
Taxation on operating profit before acquired intangibles and strategic actions	(19 112)	(18 796)
Taxation on acquired intangibles and strategic actions	1 253	161
Profit after taxation	640 506	83 009
Profit attributable to non-controlling interests of discontinued operations	(18 106)	(15 942)
Earnings attributable to shareholders	622 400	67 067

Gain on loss of control of Asset Management

	£'000
The gain is calculated as follows:	
Fair value of the distributions	489 477
Net asset value of Asset Management derecognised previously consolidated at 13 March 2020 (including Goodwill)	(181 004)
Non-controlling interest derecognised previously included in the consolidation of Asset Management at 13 March 2020	18 212
Foreign currency translation reserve recycled at 13 March 2020	315
Fair value of % maintained	245 229
Gain on the distribution of Asset Management shares (before tax)	572 229

Major classes of assets and liabilities

	£'000
Loans and advances to banks	206 448
Other assets	445 089
Other liabilities	(470 533)
	181 004

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:

- Demerger of the asset management business
- 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 Other 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 £3.2 million.

The effective date of the Asset Management business demerger was 13 March 2020 and admission of the Ninety One Limited shares and the Ninety One plc shares to the Johannesburg Stock Exchange and London Stock Exchange was effected on 16 March 2020. The global Asset Management business has been disclosed as a discontinued operation and the income statement for the prior period has been appropriately re-presented. Refer to page 20 for discontinued operations.

RESTATEMENTS

(continued)

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- presentation as a discontinued operation	Re- classification	Year to 31 March 2019 restated
Interest income	728 003	(568)	(4 421)	723 014
Interest expense	(348 514)	–	11 326	(337 188)
Net interest income	379 489	(568)	6 905	385 826
Fee and commission income	1 072 767	(549 113)	(23 152)	500 502
Fee and commission expense	(183 536)	170 933	(841)	(13 444)
Investment income	32 674	–	57 859	90 533
Share of post-taxation profit of associates and joint venture holdings	3 100	–	(150)	2 950
Trading income arising from:				
– customer flow	86 766	–	–	86 766
– balance sheet management and other trading activities	17 924	(5 120)	(79)	12 725
Other operating income	14 249	(3 773)	–	10 476
Total operating income before expected credit loss impairment charges	1 423 433	(387 641)	40 542	1 076 334
Expected credit loss impairment charges	(24 553)	(7)	4	(24 556)
Operating income	1 398 880	(387 648)	40 546	1 051 778
Operating costs	(1 129 976)	279 813	26 789	(823 374)
Depreciation on operating leased assets	(2 137)	–	–	(2 137)
Operating profit before acquired intangibles and strategic actions	266 767	(107 835)	67 335	226 267
Amortisation of acquired intangibles	(12 958)	–	–	(12 958)
Closure and rundown of the Hong Kong direct investments business	–	–	(65 593)	(65 593)
Operating profit	253 809	(107 835)	1 742	147 716
Financial impact of group restructures	(19 044)	6 191	(1 742)	(14 595)
Profit before taxation from continuing operations	234 765	(101 644)	–	133 121
Taxation on operating profit before acquired intangibles and strategic actions	(39 102)	18 796	(9 570)	(29 876)
Taxation on acquired intangibles and strategic actions	4 983	(161)	12 777	17 599
Profit after taxation from continuing operations	200 646	(83 009)	3 207	120 844
Profit after taxation from discontinued operations	–	83 009	–	83 009
Profit after taxation	200 646	–	3 207	203 853
Profit attributable to non-controlling interests of discontinued operations	(15 942)	–	–	(15 942)
Loss attributable to other non-controlling interests	4 479	–	–	4 479
Earnings attributable to shareholders	189 183	–	3 207	192 390

RESTATEMENTS

(continued)

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	(25 725)	(14 595)
Closure of Click & Invest	(3 973)	(14 265)
Sale of the Irish Wealth & Investment business	19 294	–
Restructure of the Irish branch	(41 110)	(330)
Sale of UK Property Fund	83	–
Other	(19)	–
Financial impact of strategic actions	(114 982)	(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	11 872	10 516
ECL held against FVOCI loans reported on the balance sheet within reserves	(2)	(2)
Net core loans and advances	11 870	10 514
of which amortised cost and FVOCI ('subject to ECL')	11 217	9 742
of which FVPL	653	772
Add: ECL	175	149
Gross core loans and advances	12 045	10 663
of which amortised cost and FVOCI ('subject to ECL')	11 392	9 891
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	11 392	9 891
Stage 1	10 437	8 996
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)	(35)
Average gross core loans and advances subject to ECL	10 642	9 396
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 31.

RISK MANAGEMENT

(continued)

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 31.

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

£'million	Gross core loans and advances at amortised cost and FVOCI						Gross exposure	ECL	Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1	Stage 2	Stage 3	Total						
	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%			

RISK MANAGEMENT

(continued)

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

£'million	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			
	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%			

RISK MANAGEMENT

(continued)

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

£'million	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			
	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	405	(2)	36	(1)	–	–	441	(3)	20	461
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	5 789	(34)	429	(18)	114	(52)	6 332	(104)	567	6 899
Coverage ratio	0.59%		4.20%		45.61%		1.64%			
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	341	–	53	(1)	–	–	394	(1)	–	394
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	5 237	(13)	368	(14)	62	(29)	5 667	(56)	706	6 373
Coverage ratio	0.25%		3.80%		46.77%		0.99%			

CAPITAL ADEQUACY

Capital structure and capital adequacy

£'million	31 March 2020 ^o	31 March 2019 ^o
Shareholders' equity	2 090	1 918
Shareholders' equity excluding non-controlling interests	2 135	2 022
Foreseeable charges and dividends	–	(63)
Perpetual preference share capital and share premium	(25)	(25)
Deconsolidation of special purpose entities	(20)	(16)
Non-controlling interests	–	7
Non-controlling interests per balance sheet	3	13
Non-controlling interests excluded for regulatory purposes	(3)	–
Surplus non-controlling interest disallowed in common equity tier 1	–	(6)
Regulatory adjustments to the accounting basis	91	110
Additional value adjustments	(8)	(5)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	21
Adjustment under IFRS 9 transitional arrangements	87	94
Deductions	(436)	(447)
Goodwill and intangible assets net of deferred tax	(326)	(434)
Investment in financial entity	(92)	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(18)	(13)
Common equity tier 1 capital	1 745	1 588
Additional tier 1 instruments	274	274
Tier 1 capital	2 019	1 862
Tier 2 capital	414	489
Tier 2 instruments	533	596
Non-qualifying surplus capital attributable to non-controlling interests	(119)	(107)
Total regulatory capital	2 433	2 351
Risk-weighted assets^{^^}	16 285	15 313
Capital ratios^{^^}		
Common equity tier 1 ratio	10.7%	10.4%
Tier 1 ratio	12.4%	12.2%
Total capital ratio	14.9%	15.4%

^o The capital adequacy disclosures for Investec 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's 2020 and 2019 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc's CET1 ratios would be 0bps (31 March 2019: 41bps) higher on this basis.

^{^^} CET1, Tier 1 (T1), total capital ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements.

CAPITAL ADEQUACY

(continued)

Capital requirements

£'million	31 March 2020	31 March 2019
Capital requirements	1 303	1 225
Credit risk	974	909
Equity risk	46	10
Counterparty credit risk	74	48
Credit valuation adjustment risk	5	6
Market risk	59	68
Operational risk	145	184
Risk-weighted assets (banking and trading)	16 285	15 313
Credit risk	12 183	11 361
Equity risk	580	121
Counterparty credit risk	921	605
Credit valuation adjustment risk	59	75
Market risk	734	855
Operational risk	1 808	2 296

Leverage

£'million	31 March 2020	31 March 2019
Total exposure measure	25 966	24 282
Tier 1 capital (as reported) ^o	2 019	1 862
Leverage ratio** – current	7.8%	7.7%
Leverage ratio** – ‘fully loaded’^{^^}	7.4%	7.3%
Leverage ratio** – current UK leverage ratio framework ^{^^^}	8.9%	9.6%

A summary of capital adequacy and leverage ratios

	31 March 2020*	31 March 2019*
Common equity tier 1 (as reported) ^o	10.7%	10.4%
Common equity tier 1 (‘fully loaded’) ^{^^}	10.3%	9.9%
Tier 1 (as reported) ^o	12.4%	12.2%
Total capital ratio (as reported) ^o	14.9%	15.4%
Leverage ratio** – current	7.8%	7.7%
Leverage ratio** – ‘fully loaded’ ^{^^}	7.4%	7.3%
Leverage ratio** – current UK leverage ratio framework ^{^^^}	8.9%	9.6%

* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2020 and 2019 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc CET1 ratio will be 0bps (31 March 2019: 41bps) 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 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 CET 1, T1 and total capital ratios are calculated applying the IFRS 9 transitional arrangements.

^^^ Investec 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, which provides valuable and 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.

<i>Adjusted operating profit</i>	Refer to the calculation in the table below	
£'000	31 March 2020	31 March 2019
Operating profit before acquired intangibles and strategic actions	130 250	226 267
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
<i>Adjusted operating profit</i>	129 386	230 746
<i>Annuity income</i>	Net interest income (refer to page 10) plus net annuity fees and commissions (refer to page 11)	
<i>Cost to income ratio</i>	Refer to calculation in the table below	
£'000	31 March 2020	31 March 2019
Operating costs (A)	740 792	823 374
Total operating income before expected credit loss impairment charges	948 249	1 076 334
Less: Depreciation on operating leased assets	(1 407)	(2 137)
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Total (B)	945 978	1 078 676
<i>Cost to income ratio (A/B)</i>	78.3%	76.3%
<i>Coverage ratio</i>	ECL as a percentage of gross core and advances subject to ECL	
<i>Credit loss ratio</i>	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL	
<i>Gearing ratio</i>	Total assets excluding assurance assets divided by total equity	
<i>Gross core loans and advances</i>	Refer to calculation on page 24	
<i>Loans and advances to customers as a % of customer accounts</i>	Loans and advances to customers as a percentage of customer accounts (deposits)	
<i>Net core loans and advances</i>	Refer to calculation on page 24	
<i>Net interest margin</i>	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 10	

DEFINITIONS

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 10 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 10 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

