Interim report

for the six months ended
30 | 09 | 10

Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

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Who we are

Investec (comprising Investec plc and Investec Limited) is an international, specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, we implemented a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, we have an efficient integrated international business platform, offering all our core activities in the UK and South Africa and select activities in Australia.

What we do

We are organised as a network comprising six business divisions: Asset Management, Wealth and Investment, Property Activities, Private Banking, Investment Banking and Capital Markets. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Mission statement

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values.

Values

- Outstanding talent – empowerment, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

Distinctive **Performance**

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

Dedicated Partnership

Client Focus

- Distinctive offering
- Leverage resources
- Break china for the client

Cast-iron **Integrity**

- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

Overview of the Investec group

The Investec distinction

Client focused approach

- Clients are our business.
- We strive to build business depth by deepening existing client relationships.
- Distinction lies in our ability to be nimble, flexible and innovative, and to give clients a high level of service.

Specialised and focused strategy

- Not all things to all people.
- Serve select market niches as a focused provider of tailored structured solutions.
- Strategy is to enhance our existing position in principal businesses and geographies.

Sustainable business model

- Build a sustainable business model by balancing operational risk businesses with financial risk businesses.
- Organic growth and select bolt-on acquisitions.
- Contain costs and strictly manage risk, capital and liquidity.
- Committed to creating value for shareholders.

Depth of leadership and entrepreneurial environment

- Passionate people are key to ensuring distinction.
- Integrated international business platform with an effective global management structure demonstrating our depth of leadership.
- Focus on developing and empowering people who are committed to the organisation.
- Entrepreneurial environment that attracts talented people and encourages creativity and innovation.

Risk awareness entrenched in our culture

- Intimate involvement of senior management underpins effective risk management which is critical to our success.
- Culture of risk awareness is embedded into our reward programmes, values and day-to-day activities.
- Shareholder and employee interests are aligned, with executives and employees owning approximately 15% of our issued share capital.

Doing the right thing

- Doing the right thing for clients, employees and communities is integral to our way of doing business.
- Focus on projects that are educational, entrepreneurial and sustainable.

Presentation of financial information

Introduction

Investec operates under a Dual Listed Companies (DLC) structure with premium/primary listings of Investec plc on the London Stock Exchange and Investec Limited on the JSE Limited.

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the interim results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

All references in this document to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

Exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial condition of our individual companies are reported in the local currencies of the countries in which they are domiciled, including Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period.

Currency per £1.00	30 Sept 2010		31 March 2010		30 Sept 2009	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	11.00	11.29	11.11	12.38	11.99	12.74
Australian Dollar	1.63	1.70	1.66	1.88	1.81	1.87
Euro	1.15	1.18	1.12	1.13	1.09	1.11
US Dollar	1.57	1.52	1.52	1.59	1.60	1.59

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the period has appreciated by 11.4% and the closing rate has appreciated by 1.0% since 31 March 2010.

The following table provides an analysis of the impact of the Rand appreciation on our reported numbers.

	Results as reported at 30 Sept 2010	Currency neutral results at 30 Sept 2010**
Southern African operating profit (£'000)*	148 458	130 879
Southern African profit after minorities (£'000)*	146 410	128 831
Total group operating profit before tax (£'000)*	217 320	199 741
Total group adjusted earnings attributable to ordinary shareholders (£'000)*	163 202	150 765
Adjusted EPS (pence)*	22.1	20.4
Total assets (£'million)	48 978	48 692
Total shareholders' equity (£'million)	3 798	3 778

* *Before goodwill, acquired intangibles and non-operating items.*

** *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2010. For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior period, i.e. 12.74.*

Presentation of financial information

Operating environment

Key macro-economic data pertaining to the group's three principal geographies: the UK, South Africa and Australia is set out below.

	Period ended 30 Sept 2010	Period ended 31 March 2010	Average for the 6 months: 1 April 2010 to 30 Sept 2010	Period ended 30 Sept 2009	Period ended 31 March 2009	Average for the 6 months: 1 April 2009 to 30 Sept 2009
Market indicators						
FTSE All share	2 868	2 910	2 756	2 638	1 984	2 294
JSE All share	29 456	28 748	27 812	24 911	20 364	23 132
Australia All ords	4 637	4 893	4 584	4 739	3 532	4 054
S&P	1 141	1 169	1 115	1 057	798	943
Nikkei	9 369	11 090	9 881	10 133	8 110	9 693
Dow Jones	10 788	10 857	10 474	9 712	7 609	8 763
Exchange rates						
Rand/Pounds Sterling	11.00	11.11	11.29	11.99	13.58	12.74
Rand/Dollar	6.96	7.28	7.42	7.51	9.51	8.11
US Dollar/Euro	1.36	1.35	1.28	1.46	1.33	1.40
Euro/Pounds Sterling	1.15	1.12	1.18	1.09	1.08	11.11
Australian Dollar/Pounds Sterling	1.63	1.66	1.70	1.81	2.07	1.87
US Dollar/Pounds Sterling	1.57	1.52	1.52	1.60	1.43	1.59
Rates						
UK overnight	0.52%	0.47%	0.49%	0.42%	0.50%	0.42%
UK 10 year	3.06%	3.94%	3.47%	3.68%	3.17%	3.67%
UK Clearing Banks Base Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
LIBOR - 3 month	0.73%	0.65%	0.71%	0.54%	1.65%	1.09%
SA R157 (2015)	7.30%	7.95%	7.70%	8.29%	8.18%	8.27%
Rand overnight	5.97%	7.00%	6.45%	7.10%	9.41%	7.96%
SA prime overdraft rate	9.50%	10.00%	9.94%	10.50%	13.00%	11.37%
JIBAR - 3 month	6.03%	6.67%	6.52%	7.02%	8.80%	7.66%
Reserve Bank of Australia cash target rate	4.50%	4.00%	4.39%	3.00%	3.25%	3.04%
US 10 year	2.51%	3.83%	3.12%	3.31%	2.69%	3.40%
Commodities						
Gold	USD1301/oz	USD1113/oz	USD1211/oz	USD1002/oz	USD919/oz	USD941/oz
Gas Oil	USD711/mt	USD684/mt	USD664/mt	USD558/mt	USD420/mt	USD526/mt
Platinum	USD1657/oz	USD1644/oz	USD1593/oz	USD1298/oz	USD1 129/oz	USD1205/oz

Source: Datastream

Overview of results

	30 Sept 2010	30 Sept 2009	% change Sept 10 vs Sept 09	31 March 2010
Income statement and selected returns				
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities (£'000)	228 157	215 979	5.6%	432 258
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities: Southern Africa (% of total)	64.2%	57.9%		67.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities: UK, Europe, Australia and Other (% of total)	35.8%	42.1%		32.8%
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	163 202	160 422	1.7%	309 710
Headline earnings (£'000)	146 200	136 417	7.2%	275 131
Cost to income ratio	61.4%	56.1%		57.8%
Staff compensation to operating income ratio	40.1%	34.6%		36.1%
Annualised return on average adjusted shareholders' equity (post tax)	11.5%	14.8%		13.5%
Annualised return on average adjusted tangible shareholders' equity (post tax)	13.7%	16.9%		15.4%
Operating profit per employee (£'000)	34.1	35.6	(4.2%)	69.7
Net interest income as a % of operating income net of insurance claims	36.5%	38.5%		37.0%
Non-interest income as a % of operating income net of insurance claims	63.5%	61.5%		63.0%
Recurring income as a % of total operating income net of insurance claims	63.0%	61.1%		60.4%
Effective operational tax rate	20.2%	18.2%		20.6%
Balance sheet				
Total capital resources (including subordinated liabilities) (£'million)	4 971	4 067	22.2%	4 362
Total shareholders' equity (including preference shares and minority interests) (£'million)	3 798	2 993	26.9%	3 292
Shareholders' equity (excluding minority interests) (£'million)	3 471	2 673	29.9%	2 955
Total assets (£'million)	48 978	40 558	20.8%	46 572
Net core loans and advances to customers (including own originated securitised assets) (£'million)	18 148	17 342	4.6%	17 891
Core loans and advances to customers as a % of total assets	37.1%	42.8%		38.4%
Cash and near cash (£'million)	9 968	6 647	50.0%	9 117
Customer accounts (deposits) (£'million)	23 494	18 014	30.4%	21 934
Third party assets under management (£'million)	77 819	62 872	23.8%	74 190
Capital adequacy ratio: Investec plc	16.7%	15.5%		15.9%
Capital adequacy ratio: Investec Limited	16.2%	14.7%		15.6%
Credit loss ratio (income statement impairments as a % of average advances)	1.02%	1.11%		1.16%
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	4.55%	3.93%		3.98%
Gearing/leverage ratio (assets excluding assurance assets to total equity)	11.4x	12.1x		12.5x
Core loans to equity ratio	4.8x	5.8x		5.4x
Core loans (excluding own originated securitised assets) to customer deposits	72.5%	89.5%		76.2%
Other salient financial features and key statistics				
Adjusted earnings per share (pence)	22.1	24.0	(7.9%)	45.1
Headline earnings per share (pence)	19.8	20.4	(2.9%)	40.1
Basic earnings per share (pence)	29.7	22.2	33.8%	44.0
Diluted earnings per share (pence)	27.9	21.2	31.6%	41.5
Dividends per share (pence)	8.0	8.0	0.0%	16.0
Dividend cover (times)	2.8	3.0	(6.7%)	2.8
Net tangible asset value per share (pence)	317.8	296.9	7.0%	324.1
Weighted number of ordinary shares in issue (million)	739.7	669.2	10.5%	686.3
Total number of shares in issue (million)	810.0	737.7	9.8%	741.0
Closing share price (pence)	509	458	11.1%	539
Market capitalisation (£'million)	4 123	3 378	22.1%	3 993
Number of employees in the group (including temps and contractors)	7 090	5 863	20.9%	6 123
Closing ZAR/£ exchange rate	11.00	11.99	(8.3%)	11.11
Average ZAR/£ exchange rate	11.29	12.74	(11.4%)	12.38

Notes:
Refer to definitions and calculations on page 143.

Commentary

Overall group performance

The group has delivered a strong operational performance, with five of its six core businesses areas recording a substantial increase in earnings. This was partially offset by profits earned on the repurchase of debt in the prior period not being repeated. The group's strategy to build revenues in its less capital intensive businesses gained further momentum through the acquisition of Rensburg Sheppards plc and strong inflows recorded in the asset management business. The balance sheet remains strong, supported by an increase in capital and liquidity over the period. The pace of economic recovery however, is slow and uncertain. Activity levels within the group's banking and advisory businesses are below historic trends and the impairment charge, whilst improving remains high.

Against this backdrop the main features of the period under review are:
- Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after minorities (operating profit) increased 5.6% to £228.2 million (2009: £216.0 million)
- The group's operating profit excluding the £46 million profits earned on the repurchase of the group's debt in the prior period increased by 34.2% to £228.2 million (2009: £170.0 million)
- Adjusted earnings attributable to shareholders before goodwill, acquired intangibles and non-operating items increased 1.7% to £163.2 million (2009: £160.4 million)
- Adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items decreased 7.9% from 24.0 pence to 22.1 pence, largely as a result of an increase in the number of shares in issue
- Third party assets under management increased 4.9% to £77.8 billion (31 March 2010: £74.2 billion)
- Customer accounts (deposits) increased 7.1% to £23.5 billion (31 March 2010: £21.9 billion)
- Core loans and advances increased 1.4% to £18.1 billion (31 March 2010: £17.9 billion)
- Core loans and advances (excluding own originated securitised assets) as a percentage of customer deposits improved from 76.2% at 31 March 2010 to 72.5%
- Capital adequacy ratios have strengthened in both Investec plc and Investec Limited (refer to "Operational review" below)
- Low gearing ratios represented by core loans and advances to equity at 4.8 times (31 March 2010: 5.4 times) and total assets (excluding assurance assets) to equity at 11.4 times (31 March 2010: 12.5 times)
- The board declared a dividend of 8.0 pence per ordinary share (2009: 8.0 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.8 times (2009: 3.0 times), consistent with the group's dividend policy.

Strategic review

Over the past eighteen months the group has made a concerted effort to realign its business model by building its asset and wealth management businesses. This strategy is starting to bear fruit with a significant rise in funds under management resulting in operating profit from these businesses increasing by 59.4% to £65.2 million (2009: £40.9 million). The banking regulatory environment remains uncertain notwithstanding the recent announcements made by the Basel Committee on Banking Supervision. At this point it is still unclear as to the types of instruments that will qualify as capital in future and the different responses in this regard from the regulators in the geographies in which the group operates. The board has resolved to maintain excess levels of liquidity and capital until the group has further clarity on the way forward. This does have a negative impact on short-term earnings and return on equity, however, the board believes that this is appropriate under the circumstances.

Liquidity and funding

Diversifying Investec's funding sources has been a key element in improving the quality of the group's balance sheet and reducing its reliance on wholesale funding. The group has continued to increase customer deposits in all three core geographies and cash and near cash balances amount to £10.0 billion.

Capital adequacy

The group targets a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited. Capital ratios are within the group's target range across all core geographies.

The group has conducted an initial review of the Basel III requirements as set out in the Basel Committee on Banking Supervision announcement on 12 September 2010. Based on this review the group believes that its current capital structure and capital ratios exceed the minimum capital requirements for 2013.

Further information is available on pages 86 to 89.

Asset quality

The bulk of Investec's credit and counterparty risk arises through its Private Banking and Capital Markets activities. The Private Bank lends mainly to high net worth and high income individuals, whilst the Capital Markets division primarily transacts with mid to large sized corporates, public sector bodies and institutions. Investec continues to focus on improving asset quality and credit risk in all geographies. Defaults on core loans and advances have increased but remain fully covered.

Further information is available on pages 49 to 55.

Commentary

Business unit review

Asset Management

Asset Management reported an increase in operating profit of 69.1% to £48.9 million (2009: £28.9 million) benefiting from substantially higher average funds under management and a solid investment performance. Since 31 March 2010 the division recorded strong net inflows of £1.9 billion with assets under management increasing by 6.7% from £46.4 billion to £49.5 billion.

Wealth and Investment

Wealth and Investment reported an increase in operating profit of 36.1% to £6.3 million (2009: £12.0 million). The business has benefited from higher average funds under management and the acquisition of Rensburg Sheppards plc (refer to page 10). Since 31 March 2010 total funds under management increased by 2.0% from £27.1 billion to £27.7 billion.

Property Activities

Property Activities generated an increase in operating profit of 39.8% to £16.4 million (2009: £11.7 million). The results of the division were largely supported by a satisfactory performance from the investment property portfolio in South Africa.

Private Banking

The Private Banking division posted a loss of £3.9 million (2009: profit of £16.7 million) as a result of low activity levels and increased impairments. Notwithstanding, the South African division reported an improved performance. Since 31 March 2010 the private client core lending book has remained at £12.9 billion and the deposit book increased by 3.3% from £11.8 billion to £12.2 billion.

Investment Banking

The Investment Banking division reported an increase of 58.7% in operating profit to £42.5 million (2009: £26.8 million). The Principal Investments division recorded a solid result, primarily driven by an improved performance from some of the investments held in the UK and South African portfolio. The Agency divisions benefitted from a good deal pipeline although trading conditions in the Institutional Stockbroking business remain difficult.

Capital Markets

Capital Markets reported an increase in operating profit of 81.3% to £133.5 million (2009: £73.6 million). The division has benefited from good levels of activity across the advisory and structuring businesses, notably within the Principal Finance, Structured Finance and Structured Equity Derivatives teams. Since 31 March 2010 core loans and advances increased 4.1% from £4.5 billion to £4.7 billion.

Group Services and Other Activities

Group Services and Other Activities posted a loss of £25.6 million (2009: profit of £46.2 million). The Central Funding division's results were impacted by lower levels of interest rates and a weaker performance from equity investments held within the South African portfolio. Furthermore, the UK Central Funding division recorded a profit of approximately £46 million on the repurchase of debt in the prior period which was not repeated in the current period.

Financial statement analysis

A detailed financial statement analysis can be found on pages 20 to 37.

Outlook

The group's strong operational performance is reflective of our forward-focused approach over the past year and the ongoing effort to build our brand throughout the financial crisis. While the pace of economic recovery varies across the world, and the regulatory environment remains challenging, the system has stabilised and activity levels are starting to improve.

The strength and resilience of our franchise, together with a solid balance sheet position, provides appropriate flexibility to support our existing businesses and allows us to capture opportunities arising from the realignment of the financial services industry.

On behalf of the boards of Investec plc and Investec Limited

Hugh Herman Chairman	Stephen Koseff Chief Executive Officer	Bernard Kantor Managing Director

Notes to the commentary section above

Acquisition of Rensburg Sheppards plc

On 30 March 2010, it was announced that Investec and Rensburg Sheppards plc had reached agreement on the terms of a recommended all share offer under which Investec would acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards plc not already owned by it. Following shareholder and regulatory approvals the acquisition became effective on 25 June 2010. Prior to this date Investec's 47.1% interest in Rensburg Sheppards plc was accounted for as an associate. As a result of requirements under new accounting rules, the group was required to fair value its existing 47.1% holding in Rensburg Sheppards plc at the point it acquired the remaining 52.9%. This has resulted in an exceptional gain of £73.5 million (net of acquisition costs). The group issued 37.9 million shares to acquire the remaining shares in Rensburg Sheppards plc for a consideration of £180.4 million, This consideration combined with the existing fair valued holding resulted in the recognition of goodwill and intangibles of £193.6 million and £133.4 million, respectively.

Accounting policies and disclosures

The accounting policies applied in the preparation of the results for the period ended 30 September 2010 are consistent with those adopted in the financial statements for the year ended 31 March 2010, except for the adoption of the revised IFRS 3 – Business Combinations. This standard is applicable to all business combinations effective from 1 April 2010 in the group accounts. The main change arising from the adoption is that acquisition related costs are expensed in the period in which the costs are incurred and the services rendered, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in shareholders' equity).

These preliminary condensed consolidated financial statements have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS34, Interim Financial Reporting on a going concern basis.

Restatements

The group applies a policy of offsetting financial assets and financial liabilities when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists. With regard to derivative instruments, the group identified that in certain isolated instances offsetting was applied in prior financial periods to derivative assets and liabilities where it is not market practice to settle net, while the legal right to settle net exists. This restatement had been identified and disclosed in the 2010 Annual Report. The corresponding restatement for the 30 September 2009 balance sheet is noted below:

£'000	30 Sept 2009
Restated	
Derivative financial instrument assets	1 677 224
Derivative financial instrument liabilities	1 377 955
As previously reported	
Derivative financial instrument assets	1 453 804
Derivative financial instrument liabilities	1 154 535
Change to previously reported	
Derivative financial instrument assets	223 420
Derivative financial instrument liabilities	223 420

Offsetting of intergroup interest received and interest paid

On review, it was detected that the gross interest income and expense, as reported at 31 March 2010, had not appropriately netted certain intergroup interest income and expense between the two line items. Whilst net interest income was correctly reported, the restatement to interest received and paid is noted below:

£'000	31 March 2010
Restated	
Interest income	2 041 153
Interest expense	(1 428 067)
Net interest income	**613 086**
As previously reported	
Interest income	2 726 011
Interest expense	(2 112 925)
Net interest income	**613 086**
Changes to previously reported	
Interest income	(684 858)
Interest expense	684 858
Net interest income	**–**

The above restatements had no impact on equity, nor the net cash position and are consistent with the restatements as disclosed in the 2010 Annual Report.

Commentary

Proviso

- Please note that matters discussed in this announcement may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
  - the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS
  - domestic and global economic and business conditions
  - market related risks.
- A number of these factors are beyond the group's control
- These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied
- Any forward looking statements made are based on the knowledge of the group at 18 November 2010
- The information in the announcement for the six months ended 30 September 2010, which was approved by the board of directors on 17 November 2010, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The 31 March 2010 financial statements were filed with the registrar and were unqualified with the audit report containing no statements in respect of s 498(2) or s 498(3) of the UK Companies Act 2006.

Unaudited Financial results (Investec plc and Investec Limited)

Combined consolidated income statement

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	Year to 31 March 2010*
Interest income	1 118 360	974 116	2 041 153
Interest expense	(797 186)	(676 759)	(1 428 067)
Net interest income	321 174	297 357	613 086
Fee and commission income	389 961	256 650	612 574
Fee and commission expense	(49 467)	(30 222)	(67 497)
Principal transactions	208 706	230 821	457 759
Operating income from associates	3 172	5 929	11 595
Investment income on assurance activities	17 986	68 573	94 914
Premiums and reinsurance recoveries on insurance contracts	5 028	2 179	31 938
Other operating income	5 215	10 470	22 737
Other income	580 601	544 400	1 164 020
Claims and reinsurance premiums on insurance business	(20 727)	(68 777)	(119 918)
Total operating income net of insurance claims	881 048	772 980	1 657 188
Impairment losses on loans and advances	(122 850)	(134 296)	(286 581)
Operating income	758 198	638 684	1 370 607
Administrative expenses	(524 159)	(417 960)	(920 694)
Depreciation, amortisation and impairment of property, equipment and software	(16 719)	(15 588)	(36 457)
Operating profit before goodwill and acquired intangibles	217 320	205 136	413 456
Impairment of goodwill	(2 763)	(1 234)	(3 526)
Amortisation of acquired intangibles	(2 254)	–	–
Operating profit after goodwill and acquired intangibles	212 303	203 902	409 930
Profit arising from associate converted to subsidiary	73 465	–	–
Write–down of subsidiaries held for sale	(7 942)	–	–
Profit before taxation	277 826	203 902	409 930
Taxation	(43 151)	(36 211)	(82 599)
Profit after taxation	234 675	167 691	327 331
Operating losses attributable to minorities	10 837	10 843	18 802
Write down of subsidiaries held for sale attributable to minorities	1 481	–	–
Earnings attributable to shareholders	246 993	178 534	346 133
Earnings per share (pence)			
– basic	29.7	22.2	44.0
– diluted	27.9	21.2	41.5
Adjusted earnings per share (pence)			
– basic	22.1	24.0	45.1
– diluted	20.7	22.9	42.5
Headline earnings per share (pence)			
– basic	19.8	20.4	40.1
– diluted	18.6	19.5	37.8

* *As restated for the reclassifications detailed in the commentary section of this report.*

Combined consolidated statement of comprehensive income

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	Year to 31 March 2010
Profit after taxation	234 675	167 691	327 331
Other comprehensive income:			
Fair value movements on cash flow hedges*	2 113	9 905	14 202
Gains on realisation of available for sale assets recycled through the income statement*	(1 624)	(6 758)	(8 374)
Fair value movements on available for sale assets*	10 527	24 950	19 857
Foreign currency adjustments on translating foreign operations	8 224	111 476	239 789
Pension fund actuarial losses	–	–	(8 180)
Total comprehensive income	253 915	307 264	584 625
Total comprehensive (loss)/income attributable to minority shareholders	(11 351)	(3 018)	9 918
Total comprehensive income attributable to ordinary shareholders	235 472	257 815	493 073
Total comprehensive income attributable to perpetual preferred securities	29 794	52 467	81 634
Total comprehensive income	253 915	307 264	584 625

* *Net of taxation of £3.0 million (6 months to 30 Sept 2009: £7.6 million, year to 31 March 2010: £10.0 million).*

Combined consolidated balance sheet

£'000	30 Sept 2010	31 March 2010	30 Sept 2009*
Assets			
Cash and balances at central banks	1 550 807	2 338 234	1 474 204
Loans and advances to banks	2 257 741	2 781 630	1 779 104
Cash equivalent advances to customers	527 758	581 117	496 792
Reverse repurchase agreements and cash collateral on securities borrowed	1 207 255	911 432	560 424
Trading securities	5 338 673	4 221 645	3 569 743
Derivative financial instruments	1 970 670	1 591 841	1 677 224
Investment securities	2 915 969	1 996 073	1 236 293
Loans and advances to customers	18 110 210	17 414 691	16 438 919
Loans and advances to customers – Kensington warehouse assets	1 683 586	1 776 525	1 873 778
Securitised assets	5 150 421	5 334 453	5 369 003
Interests in associated undertakings	22 303	104 059	98 467
Deferred taxation assets	132 252	134 355	139 611
Other assets	1 188 678	1 240 624	1 022 061
Property and equipment	57 774	161 255	159 062
Investment properties	324 672	273 038	200 695
Goodwill	466 125	274 417	260 987
Intangible assets	167 506	36 620	35 914
Non-current assets classified as held for sale	122 133	–	–
	43 194 533	41 172 009	36 392 281
Other financial instruments at fair value through income in respect of			
– Liabilities to customers	5 781 206	5 397 014	4 162 088
– Assets related to reinsurance contracts	2 699	2 842	3 196
	48 978 438	46 571 865	40 557 565
Liabilities			
Deposits by banks	2 181 563	2 439 670	3 050 282
Deposits by banks – Kensington warehouse funding	1 082 431	1 213 042	1 354 737
Derivative financial instruments	1 618 990	1 193 421	1 377 955
Other trading liabilities	540 254	504 618	305 770
Repurchase agreements and cash collateral on securities lent	942 699	1 110 508	655 556
Customer accounts (deposits)	23 493 808	21 934 044	18 013 512
Debt securities in issue	1 815 113	1 791 869	1 166 386
Liabilities arising on securitisation	4 488 245	4 714 556	4 749 629
Current taxation liabilities	191 560	196 965	168 088
Deferred taxation liabilities	202 938	136 974	139 283
Other liabilities	1 561 941	1 572 760	1 342 718
Pension fund liabilities	487	1 285	934
Liabilities directly associated with non-current assets held for sale	103 465	–	–
	38 223 494	36 809 712	32 324 850
Liabilities to customers under investment contracts	5 776 517	5 392 662	4 155 535
Insurance liabilities including unit-linked liabilities	4 689	4 352	6 553
Reinsured liabilities	2 699	2 842	3 196
	44 007 399	42 209 568	36 490 134
Subordinated liabilities	1 173 244	1 070 436	1 074 041
	45 180 643	43 280 004	37 564 175
Equity			
Called up share capital	201	195	195
Perpetual preference share capital	181	152	151
Share premium	2 256 628	1 928 296	1 861 329
Treasury shares	(55 182)	(66 439)	(74 208)
Other reserves	270 030	246 718	150 510
Retained income	999 077	846 060	734 845
Shareholders' equity excluding minority interests	3 470 935	2 954 982	2 672 822
Minority interests	326 860	336 879	320 568
– Perpetual preferred securities issued by subsidiaries	311 312	314 944	307 330
– Minority interests in partially held subsidiaries	15 548	21 935	13 238
Total equity	3 797 795	3 291 861	2 993 390
Total liabilities and equity	48 978 438	46 571 865	40 557 565

* *As restated for the reclassifications detailed in the commentary section of this report.*

Combined summarised consolidated cash flow statement

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009*	Year to 31 March 2010
Cash inflows from operations	343 799	300 664	731 000
Increase in operating assets	(2 460 557)	(319 058)	(3 336 695)
Increase in operating liabilities	1 295 406	369 172	4 115 640
Net cash (outflow)/inflow from operating activities	(821 352)	350 778	1 509 945
Net cash (outflow)/inflow from investing activities	(10 946)	2 195	(19 368)
Net cash inflow/(outflow) from financing activities	157 453	(20 229)	(127 794)
Effects of exchange rate changes on cash and cash equivalents	15 889	172 102	274 915
Net (decrease)/increase in cash and cash equivalents	(658 956)	504 846	1 637 698
Cash and cash equivalents at the beginning of the period	3 922 047	2 284 349	2 284 349
Cash and cash equivalents at the end of the period	3 263 091	2 789 195	3 922 047

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and cash equivalent loans and advances to customers (all of which have a maturity profile of less than three months).

* *As restated for reclassifications detailed in the commentary section of this report.*

Consolidated statements of changes in equity

£'000	Called up Share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2008	190	151	1 769 040	(173 068)
Movement in reserves 1 April 2009 - 30 September 2009				
Total comprehensive income for the period	–	–	22 545	–
Share based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Issue of ordinary shares	5	–	73 298	–
Share issue expenses	–	–	(3 554)	–
Movement of treasury shares	–	–	–	36 595
Transfer from capital reserves	–	–	–	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share based payments reserve to treasury shares	–	–	–	62 265
At 30 September 2009	195	151	1 861 329	(74 208)
Movement in reserves 1 October 2009 - 31 March 2010				
Total comprehensive income for the period	–	–	15 229	–
Share based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid to minority interests	–	–	–	–
Issue of ordinary shares	–	–	10 875	–
Issue of perpetual preference shares	–	1	40 868	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of minority interests	–	–	–	–
Share issue expenses	–	–	(5)	–
Movement of treasury shares	–	–	–	4 379
Transfer to capital reserves	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share based payments reserve to treasury shares	–	–	–	3 390
At 31 March 2010	195	152	1 928 296	(66 439)
Movement in reserves 1 April 2010 - 30 September 2010				
Total comprehensive income for the period	–	–	2 763	–
Share based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid to minority interests	–	–	–	–
Issue of ordinary shares	6	29	317 429	–
Issue of perpetual preference shares	–	–	11 893	–
Issue of equity by subsidiaries	–	–	–	–
Share issue expenses	–	–	(3 753)	–
Movement of treasury shares	–	–	–	(6 253)
Transfer from capital reserves	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share based payments reserve to treasury shares	–	–	–	17 510
At 30 September 2010	201	181	2 256 628	(55 182)

Other reserves					Retained income	Shareholders' equity excluding minority interests	Minority interests	Total equity
Capital reserve account	Available for sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves				
11 882	(12 488)	23 487	(16 293)	35 921	658 129	2 296 951	323 586	2 620 537
–	17 995	2 300	7 703	80 474	179 265	310 282	(3 018)	307 264
–	–	–	–	–	25 000	25 000	–	25 000
–	–	–	–	–	(35 833)	(35 833)	–	(35 833)
–	–	–	–	–	(29 922)	(29 922)	–	(29 922)
–	–	–	–	–	–	73 303	–	73 303
–	–	–	–	–	–	(3 554)	–	(3 554)
–	–	–	–	–	–	36 595	–	36 595
(12)	–	–	–	–	12	–	–	–
–	–	(459)	–	–	459	–	–	–
–	–	–	–	–	(62 265)	–	–	–
11 870	5 507	25 328	(8 590)	116 395	734 845	2 672 822	320 568	2 993 390
–	(6 861)	1 767	2 606	91 970	159 714	264 425	12 936	277 361
–	–	–	–	–	31 668	31 668	274	31 942
–	–	–	–	–	(56 113)	(56 113)	–	(56 113)
–	–	–	–	–	(13 938)	(13 938)	–	(13 938)
–	–	–	–	–	–	–	(578)	(578)
–	–	–	–	–	–	10 875	–	10 875
–	–	–	–	–	–	40 869	–	40 869
–	–	–	–	–	–	–	3 547	3 547
–	–	–	–	–	–	–	132	132
–	–	–	–	–	–	(5)	–	(5)
–	–	–	–	–	–	4 379	–	4 379
54	–	–	–	–	(54)	–	–	–
–	–	6 672	–	–	(6 672)	–	–	–
–	–	–	–	–	(3 390)	–	–	–
11 924	(1 354)	33 767	(5 984)	208 365	846 060	2 954 982	336 879	3 291 861
–	9 235	991	1 777	4 964	245 536	265 266	(11 351)	253 915
–	–	–	–	–	17 708	17 708	–	17 708
–	–	–	–	–	(59 341)	(59 341)	–	(59 341)
–	–	–	–	–	(27 031)	(27 031)	–	(27 031)
–	–	–	–	–	–	–	(182)	(182)
–	–	–	–	–	–	317 464	–	317 464
						11 893		11 893
–	–	–	–	–	–	–	1 514	1 514
–	–	–	–	–	–	(3 753)	–	(3 753)
–	–	–	–	–	–	(6 253)	–	(6 253)
(878)	–	–	–	–	878	–	–	–
–	–	7 223	–	–	(7 223)	–	–	–
–	–	–	–	–	(17 510)	–	–	–
11 046	7 881	41 981	(4 207)	213 329	999 077	3 470 935	326 860	3 797 795

Dividends and earnings per share

£'000	30 Sept 2010	30 Sept 2009
Ordinary dividends – pence per share		
Interim	8.0	8.0
Earnings	£'000	£'000
Earnings attributable to shareholders	246 993	178 534
Preference dividends paid	(27 031)	(29 922)
Earnings and diluted earnings, attributable to ordinary shareholders	219 962	148 612
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	772 597 771	722 507 882
Weighted average number of treasury shares	(32 884 198)	(53 301 349)
Weighted average number of shares in issue during the year	739 713 573	669 206 533
Weighted average number of shares resulting from future dilutive potential shares	48 490 403	31 869 663
Adjusted weighted number of shares potentially in issue	788 203 976	701 076 196
Earnings per share – pence		
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the period.	29.7	22.2
Diluted earnings per share – pence		
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the period.	27.9	21.2
Adjusted earnings per share – pence		
Adjusted earnings per share is calculated by dividing the earnings before goodwill, acquired intangibles and non-operating items attributable to the ordinary shareholders and after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during period.	22.1	24.0
	£'000	£'000
Earnings attributable to shareholders	246 993	178 534
Impairment of goodwill	2 763	1 234
Amortisation of acquired intangibles	1 577	–
Write-down of subsidiaries held for sale attributable to minorities	(1 481)	–
Profit arising from associate converted to subsidiary	(73 465)	–
Write-down of subsidiaries held for sale	7 942	–
Preference dividends paid	(27 031)	(29 922)
Additional earnings attributable to other equity holders*	5 904	10 576
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	163 202	160 422
Headline earnings per share – pence		
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and is disclosed in accordance with the JSE listing requirements and in terms of circular 3/2009 issued by the South African Institute of Chartered Accountants.	19.8	20.4
	£'000	£'000
Earnings attributable to shareholders	246 993	178 534
Impairment of goodwill	2 763	1 234
Write–down of subsidiaries held for sale attributable to minorities	(1 481)	–
Profit arising from associate converted to subsidiary	(73 465)	–
Write–down of subsidiaries held for sale	7 942	–
Preference dividends paid	(27 031)	(29 922)
Other headline adjustments**	(9 521)	(13 429)
Headline earnings attributable to ordinary shareholders	146 200	136 417

* *In accordance with IFRS, dividends attributable to equity holders is accounted for when a constructive liability arises, i.e. on declaration by the board of directors and approval by the shareholders, where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

** *Other headline adjustments include the fair value of investment properties and realised gains/losses on available for sale instruments as well as impairments recognised against available for sale instruments. Taxation on headline earnings adjustments amounted to £3.7 million (2009: 5.2 million) with no impact on earnings attributable to minorities.*

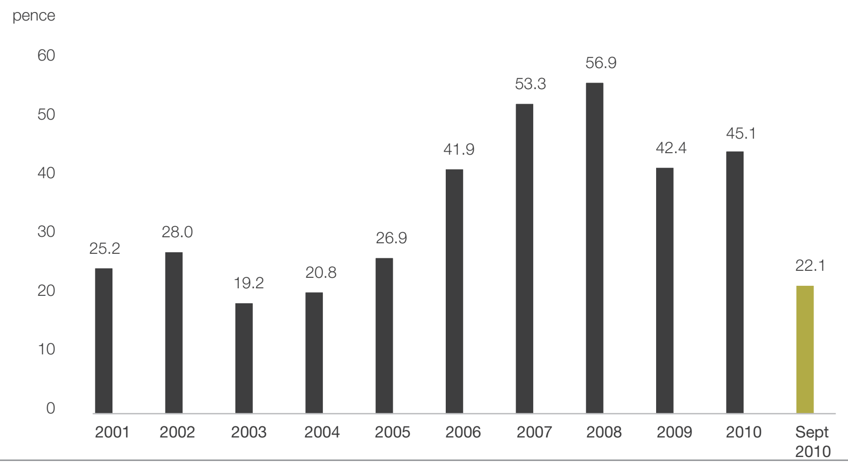
Financial review and additional information

Financial review

This commentary and analysis of our financial results for the period ended 30 September 2010 provides an overview of our financial performance relative to the group's results for the period ended 30 September 2009. Further detail on the performance of our business divisions is provided in the Divisional Review section of this report. The commentary and analysis are based on our consolidated financial results presented in accordance with IFRS and denominated in Pounds Sterling. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the group going forward.

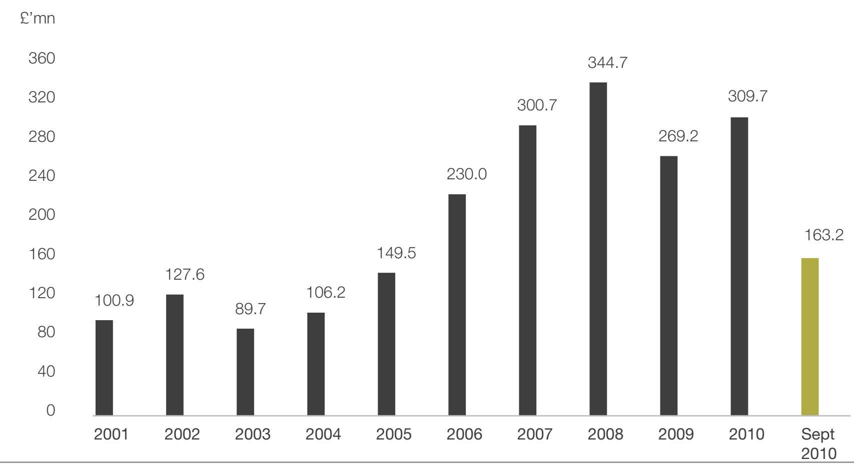
Track record

Adjusted earnings per share before goodwill and non-operating items*



down 7.9% to 22.1p (Sept 2009: 24.0p)

Adjusted attributable earnings before goodwill and non-operating items



up 1.7% to £163.2m (Sept 2009: £160.4m)

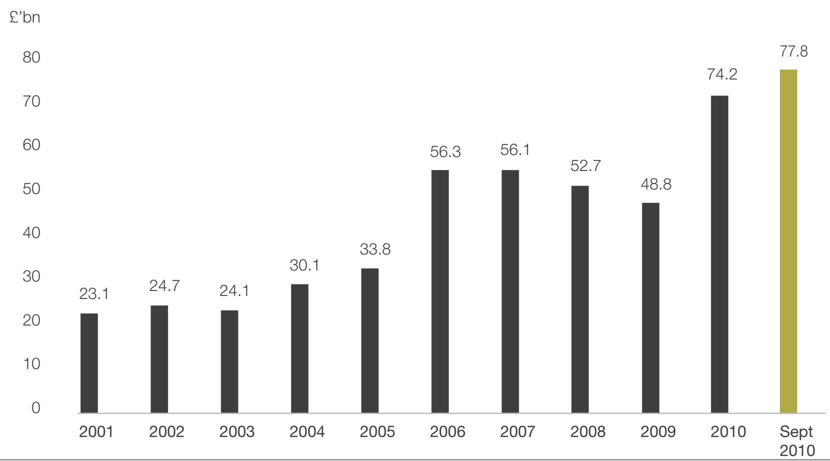
Note:

Results are shown for the year ended 31 March unless stated otherwise. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

* *Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

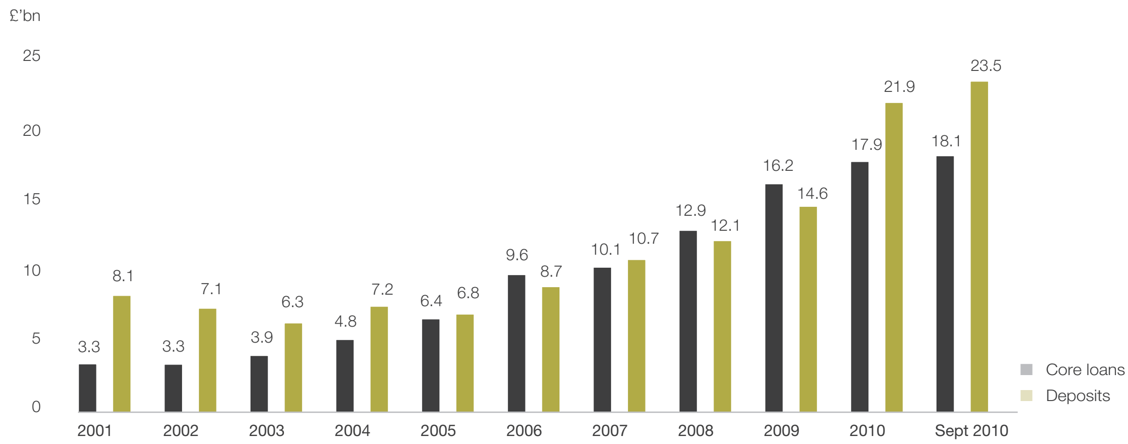
Track record (continued)

Third party assets under management



up 4.9%
to £77.8 bn
Since 31 March 2010

Core loans, advances and deposits



up 1.4%
to £18.1bn
Since 31 March 2010

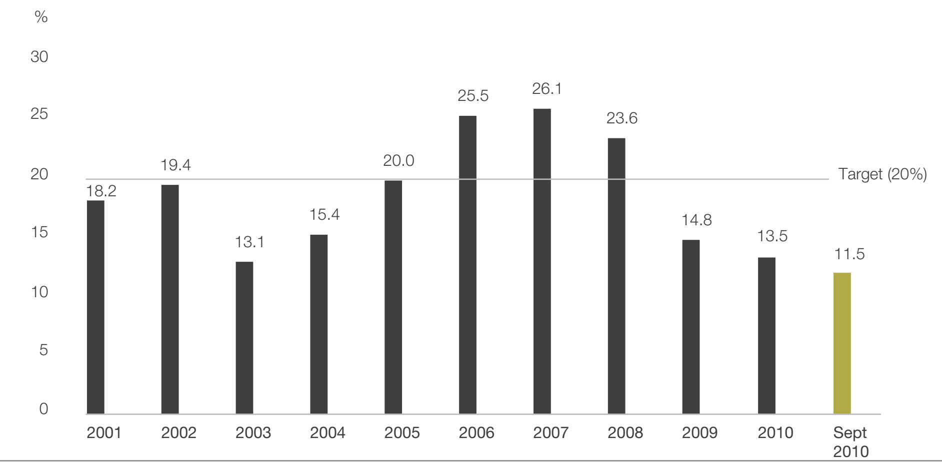
up 7.1%
to £23.5bn
Since 31 March 2010

Note:
Results are shown for the year ended 31 March unless stated otherwise. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

Financial review

Financial objectives

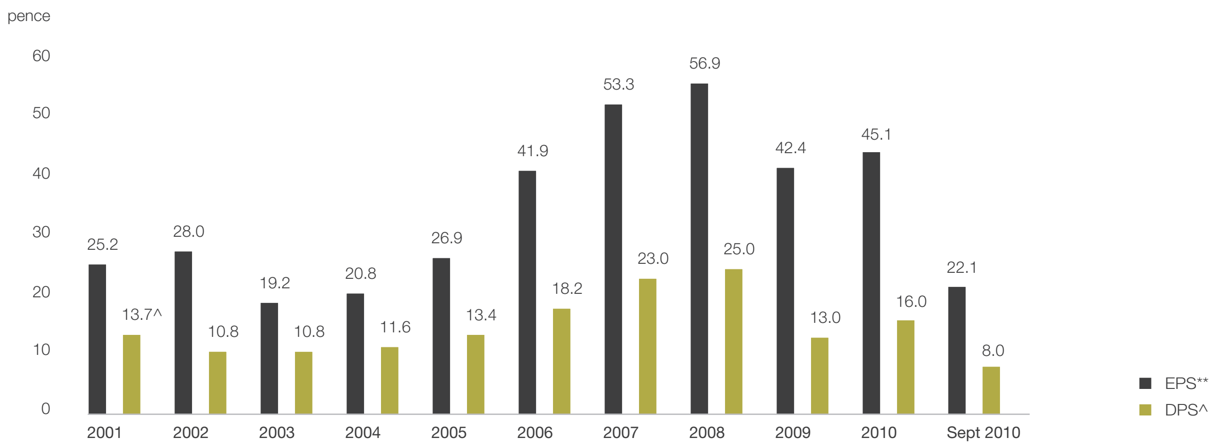
ROE*



* *ROE is post-tax return on adjusted average shareholder's equity (inclusive of compulsory convertible instruments) as calculated on page 33.*

We have set the following target over the medium to long-term:
- Group ROE: Greater than 20% in Pounds Sterling (subject to review)

Adjusted earnings per share (EPS) and dividends per share (DPS)



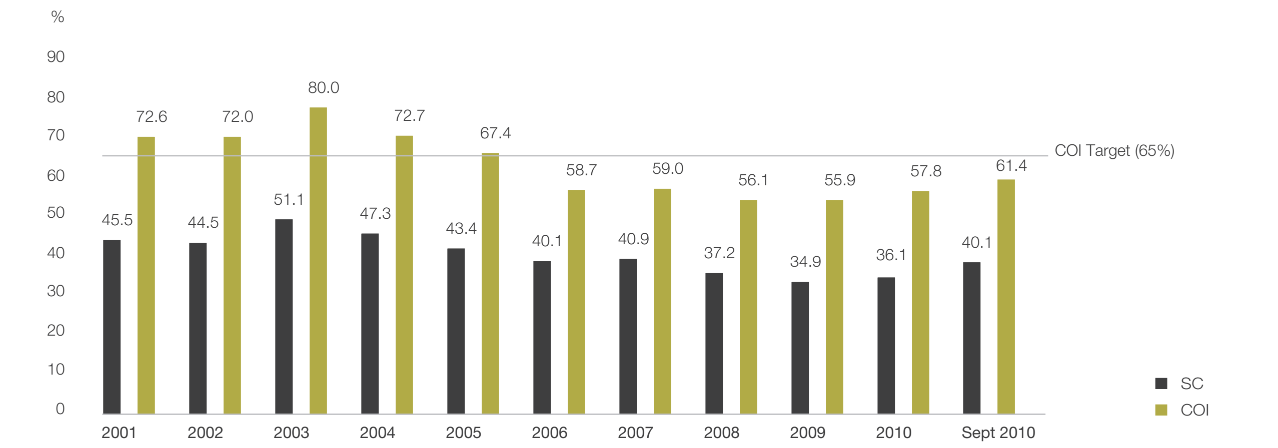
** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 18.*
^ *The dividend for 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

In the medium to long-term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling.

Refer to note on page 23.

Financial objectives (continued)

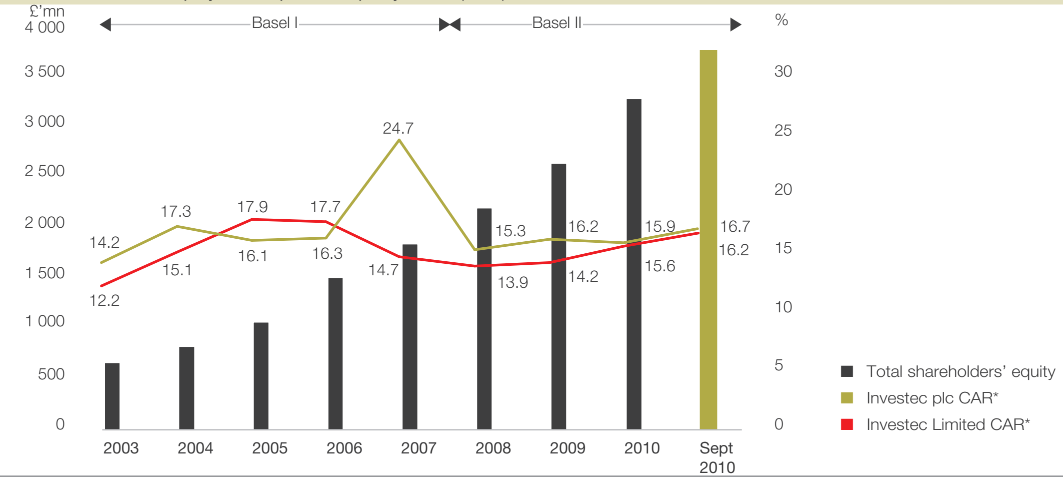
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



We have set the following target over the medium to long-term:

- Group COI ratio: less than 65% in Pounds Sterling

Total shareholders' equity and capital adequacy ratios (CAR)



* *Capital adequacy figures prior to 2008 are disclosed under Basel I and thereafter under Basel II.*

We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long-term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio in excess of 11%.

Note:

The numbers shown in the financial objectives graphs on pages 22 and 23 are for the years ended 31 March unless stated otherwise. The numbers prior to 2005 are reported in terms of UK GAAP.

Financial review

An overview of our key income drivers

We provide a wide range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia. We are organised as a network comprising six principal business divisions: Asset Management, Wealth and Investment, Property Activities, Private Banking, Investment Banking and Capital Markets.

In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding and other activities, such as our Trade Finance operations.

There are therefore a number of key income drivers for our business which are discussed below.

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
Asset Management			
	• Fixed fees as a percentage of assets under management • Variable performance fees	• Movements in the value of the assets underlying client portfolios • Performance of portfolios against set benchmarks • Net sales	• Fees and commissions
Wealth and Investment			
	• Fees levied as a percentage of assets under management • Commissions earned for executing transactions for clients • Performance fees paid for achieving outperformance against benchmark	• Movement in the value of assets underlying client portfolios • The level of clients' investment activity, which, in turn, is affected by, among other things, the performance of the global stock markets, the equity investment risk appetite of our clients and market liquidity	• Fees and commissions
Property Activities			
	• Fees levied as a percentage of assets under management • Performance fees • Capital and debt raising fees • Asset acquisition fees	• Movements in the value of assets underlying client portfolios	• Fees and commissions
	• Trading and development activities	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale	• Principal transactions
Private Banking			
	• Interest earned in connection with the bank's lending activities	• Size of loan portfolio • Interest rate environment	• Net interest income
	• Fees earned for advisory banking and lending services	• Levels of activity	• Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
Investment Banking			
Corporate Finance	• Fees resulting from the provision of capital raising and financial advisory work	• Macro- and micro- economic fundamentals • Industry-specific trends • Underlying stock market activity particularly in our primary markets • Idea generation	• Fees and commissions
Institutional Research, Sales and Trading	• Brokerage commissions • Trading and market making activities	• Stock market trading volume and volatility • Client allocation of broking transactions • Our ability to source securities and execute trades on behalf of our clients	• Fees and commissions and principal transactions
Principal Investments	• Sale of investments and revaluation of trading investments • Dividends	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Principal transactions
Capital Markets			
	• Trading and hedging	• Client activity • Market opportunities • Market risk factors primarily volatility and liquidity	• Principal transactions
	• Product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by among other things, the performance of the global markets and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products	• Fees and commissions and principal transactions
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients capital and infrastructural investments	• Fees and commissions • Net interest income • Principal transactions (in certain cases)
	• Advisory	• The demand for our specialised advisory services, which, in turn is affected by applicable tax, regulatory and other economic factors e.g. project activity in the relevant markets	• Fees and commissions
Group Services and Other Activities			
• International Trade Finance	• These businesses earn a variety of management and banking fees, brokerage commissions	A variety of factors including: • Interest rate environment • Rand/Dollar exchange rate in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from associates and assurance activities
• Central Funding	• As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)		

Financial review

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the period under review. Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 93 to 132.

Total operating income

Total operating income net of insurance claims increased by 14.0% to £881.0 million (2009: £773.0 million). The various components of total operating income are analysed below.

£'000	30 Sept 2010	% of total income	30 Sept 2009	% of total income	% change
Net interest income	321 174	36.4%	297 357	38.5%	8.0%
Other income	559 874	63.6%	475 623	61.5%	17.7%
Net fees and commissions income	340 494	38.6%	226 428	29.3%	50.4%
Principal transactions	208 706	23.7%	230 821	29.9%	(9.6%)
Operating income from associates	3 172	0.4%	5 929	0.8%	(46.5%)
Net income on assurance activities	2 287	0.3%	1 975	0.2%	15.8%
Other operating income	5 215	0.6%	10 470	1.3%	(50.2%)
Total operating income net of insurance claims	881 048	100.0%	772 980	100.0%	14.0%

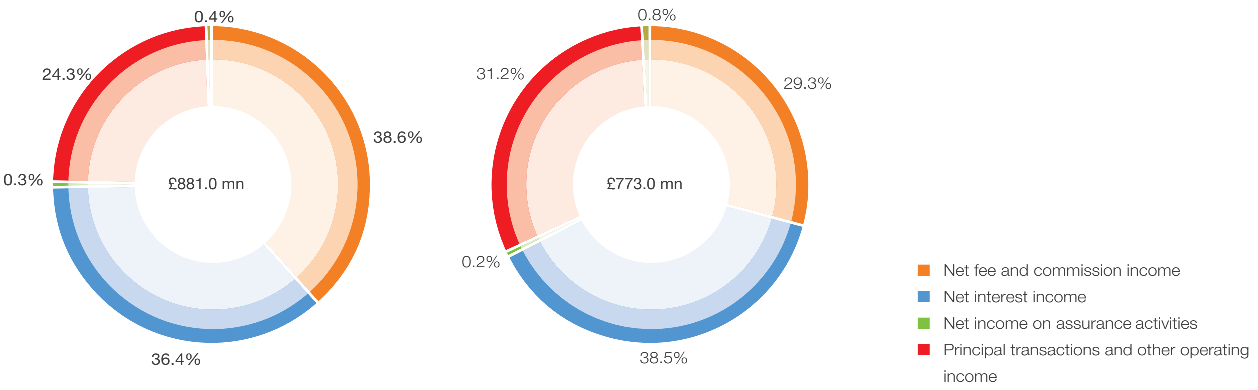
The following table sets out information on total operating income net of insurance claims by geography for the period under review.

£'000	30 Sept 2010	% of total income	30 Sept 2009	% of total income	% change
UK and Europe	432 230	49.0%	383 998	49.7%	12.6%
Southern Africa	397 794	45.2%	343 354	44.4%	15.9%
Australia	51 024	5.8%	45 628	5.9%	11.8%
Total operating income net of insurance claims	881 048	100.0%	772 980	100.0%	14.0%

The following table sets out information on total operating income net of insurance claims by division for the period under review.

£'000	30 Sept 2010	% of total income	30 Sept 2009	% of total income	% change
Asset Management	143 751	16.3%	102 530	13.3%	40.2%
Wealth and Investment	60 832	6.9%	24 266	3.1%	>100.0%
Property Activities	25 663	2.9%	19 629	2.5%	30.7%
Private Banking	194 366	22.1%	177 013	22.9%	9.8%
Investment Banking	105 647	12.0%	79 693	10.3%	32.6%
Capital Markets	318 529	36.1%	273 923	35.5%	16.3%
Group Services and Other Activities	32 260	3.7%	95 926	12.4%	(66.4%)
Total operating income net of insurance claims	881 048	100.0%	772 980	100.0%	14.0%

% of total operating income net of insurance claims



30 Sept 2010 30 Sept 2009

Financial review

Net interest income

Net interest income increased by 8.0% to £321.2 million (2009: £297.4 million) largely as a result of improved margins within the South African Private Banking division.

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Asset Management	874	1 014	(140)	(13.8%)
Wealth and Investment	2 597	508	2 089	>100.0%
Property Activities	(3 887)	(3 812)	(75)	2.0%
Private Banking	152 200	136 718	15 482	11.3%
Investment Banking	(1 950)	(6 389)	4 439	(69.5%)
Capital Markets	156 430	156 311	119	0.1%
Group Services and Other Activities	14 910	13 007	1 903	14.6%
Net interest income	321 174	297 357	23 817	8.0%

Net fee and commission income

Net fee and commission income increased by 50.4% to £340.5 million (2009: £226.4 million). Average funds under management have grown substantially, supported by improved market indices and strong net inflows. The banking businesses recorded an increase in net fees and commissions, although transactional activity levels remain mixed.

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Asset Management	142 600	98 695	43 905	44.5%
Wealth and Investment	53 963	17 340	36 623	>100.0%
Property Activities	10 974	6 146	4 828	78.6%
Private Banking	30 445	40 092	(9 647)	(24.1%)
Investment Banking	40 998	29 537	11 461	38.8%
Capital Markets	54 120	36 906	17 214	46.6%
Group Services and Other Activities	7 394	(2 288)	9 682	>100.0%
Net fee and commission income	340 494	226 428	114 066	50.4%

Principal transactions

Income from principal transactions decreased by 9.6% to £208.7 million (2009: £230.8 million). The group has benefited from a solid performance from its unlisted equity, structured credit and property investment portfolios. The prior period included £46 million generated on the repurchase of debt which was not repeated in the current period.

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Asset Management	5	2	3	>100.0%
Wealth and Investment	1 896	1 032	864	83.7%
Property Activities	18 788	17 402	1 386	8.0%
Private Banking	11 549	64	11 485	>100.0%
Investment Banking	61 722	49 500	12 222	24.7%
Capital Markets	107 979	80 643	27 336	33.9%
Group Services and Other Activities	6 767	82 178	(75 411)	(91.8%)
Principal transactions	208 706	230 821	(22 115)	(9.6%)

Operating income from associates

Operating income from associates decreased by 46.5% to £3.2 million (2009: £5.9 million). The current period's figure includes Investec's 47.1% share of the post-tax profit of Rensburg Sheppards plc for the period 1 April 2010 to 25 June 2010.

Other operating income

The consolidation of the operating results of certain investments held is partly reflected in other operating income, which declined from £10.5 million to £5.2 million.

Financial review

Impairment losses on loans and advances

The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase. Impairment losses on loans and advances have increased from £94.3 million to £98.2 million (excluding Kensington). The credit loss charge as a percentage of average gross loans and advances is 1.02%, marginally lower than the 1.16% reported at 31 March 2010. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 4.0% to 4.6% since 31 March 2010. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.35 times (31 March 2010: 1.33 times). Further information is provided on pages 49 to 63.

Impairment losses on loans and advances relating to the Kensington business amount to £24.7 million (2009: £40.0 million). The total Kensington book has reduced to £4.4 billion from £4.7 billion at 31 March 2010.

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Asset Management	29	–	29	100.0%
Private Banking	(72 262)	(53 522)	(18 740)	35.0%
Investment Banking	218	3	215	>100.0%
Capital Markets	(39 458)	(72 264)	32 806	(45.4%)
Group Services and Other Activities	(11 377)	(8 513)	(2 864)	33.6%
Impairment losses on loans and advances	(122 850)	(134 296)	11 446	(8.5%)

Total expenses

The ratio of total operating expenses to total operating income amounts to 61.4% (2009: 56.1%).

Total expenses grew by 24.8% to £540.9 million (2009: £433.5 million). An analysis of the increase in costs is provided in the tables below.

£'000	30 Sept 2010	% of total expenses	30 Sept 2009	% of total expenses	% change
Staff costs	(353 509)	65.3%	(267 365)	61.7%	32.2%
- fixed	(251 094)	46.4%	(197 979)	45.7%	26.8%
- variable	(102 415)	18.9%	(69 386)	16.0%	47.6%
Business expenses	(89 618)	16.5%	(78 880)	18.2%	13.6%
Equipment (excluding depreciation)	(25 698)	4.8%	(23 510)	5.4%	9.3%
Premises (excluding depreciation)	(32 831)	6.1%	(31 281)	7.2%	5.0%
Marketing expenses	(22 503)	4.2%	(16 924)	3.9%	33.0%
Depreciation	(16 719)	3.1%	(15 588)	3.6%	7.3%
Total expenses	(540 878)	100.0%	(433 548)	100.0%	24.8%

The following table sets out certain information on total expenses by geography for the period under review.

£'000	30 Sept 2010	% of total expenses	30 Sept 2009	% of total expenses	% change
UK and Europe	(287 187)	53.1%	(222 271)	51.3%	29.2%
Southern Africa	(215 975)	39.9%	(182 172)	42.0%	18.6%
Australia	(37 716)	7.0%	(29 105)	6.7%	29.6%
Total expenses	(540 878)	100.0%	(433 548)	100.0%	24.8%

The following table sets out certain information on total expenses by division for the period under review.

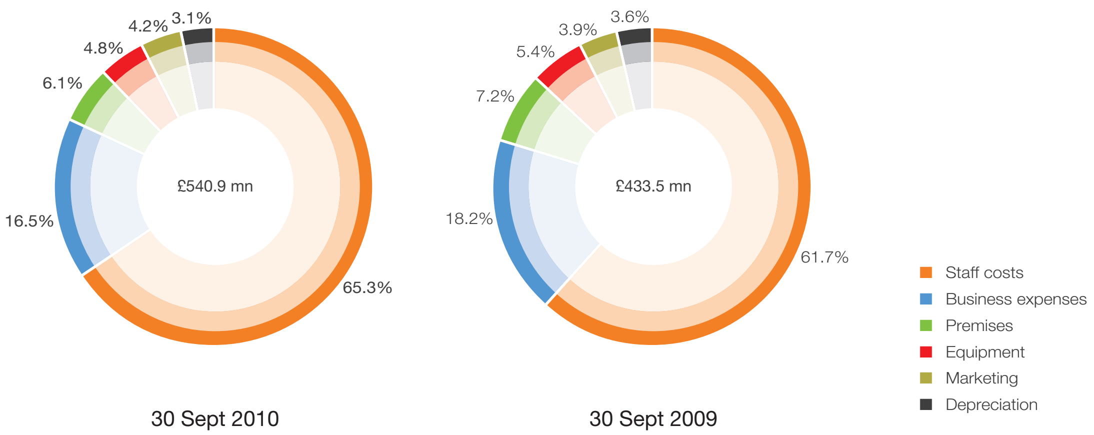
£'000	30 Sept 2010	% of total expenses	30 Sept 2009	% of total expenses	% change
Asset Management	(94 703)	17.6%	(73 443)	16.9%	28.9%
Wealth and Investment	(44 490)	8.2%	(12 258)	2.8%	>100.0%
Property Activities	(9 255)	1.7%	(7 896)	1.8%	17.2%
Private Banking	(125 983)	23.3%	(106 782)	24.7%	18.0%
Investment Banking	(70 924)	13.1%	(64 939)	15.0%	9.2%
Capital Markets	(145 608)	26.9%	(128 016)	29.5%	13.7%
Group Services and Other Activities	(49 915)	9.2%	(40 214)	9.3%	24.1%
Total expenses	(540 878)	100.0%	(433 548)	100.0%	24.8%

Financial review

The increase in expenses of £107.3 million can be analysed as follows:

£'million	
Currency adjustments	30.0
Acquisitions of Rensburg Sheppards plc and Lease Direct Finance	24.4
Variable remuneration: an increase in certain divisions given their increase in profitability	23.0
Staff costs: an increase in headcount in certain divisions and base salary increases	25.4
Marketing expenses	3.7
Other expenses	0.8
Total increase in expenses	107.3

% of total expenses



30 Sept 2010 | 30 Sept 2009

Operating profit before goodwill, acquired intangibles non-operating items, taxation and after minorities

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities increased by 5.6% from £216.0 million to £228.2 million.

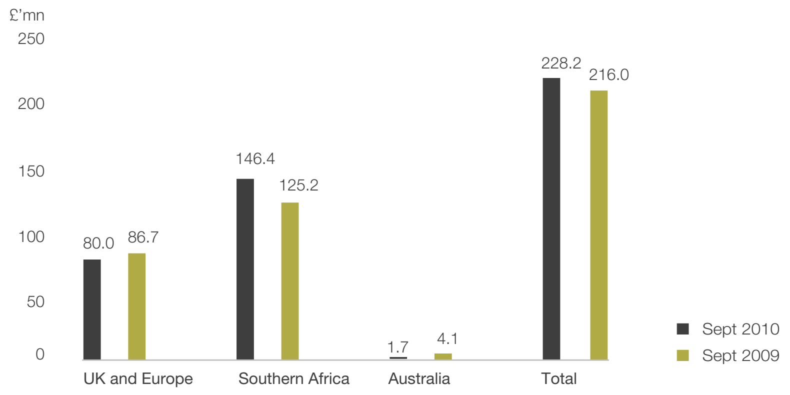
The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities by geography and by division for the period under review.

For the 6 months to 30 September 2010 £'000	UK and Europe	Southern Africa	Australia	Total group	% change	% of total
Asset Management	18 867	30 046	–	48 913	69.1%	21.4%
Wealth and Investment	8 996	7 346	–	16 342	36.1%	7.2%
Property Activities	(443)	14 540	2 311	16 408	39.8%	7.2%
Private Banking	(12 486)	14 150	(5 543)	(3 879)	(>100.0%)	(1.7%)
Investment Banking	8 816	36 845	(3 151)	42 510	58.7%	18.6%
Capital Markets	88 385	40 364	4 757	133 506	81.3%	58.5%
Group Services and Other Activities	(32 097)	3 119	3 335	(25 643)	(>100.0%)	(11.2%)
Total group	80 038	146 410	1 709	228 157		100.0%
Minority interest - equity				(10 837)		
Operating profit before goodwill				217 320		
% change	(7.7%)	17.0%	(58.3%)	5.6%		
% of total	35.1%	64.2%	0.7%	100.0%		

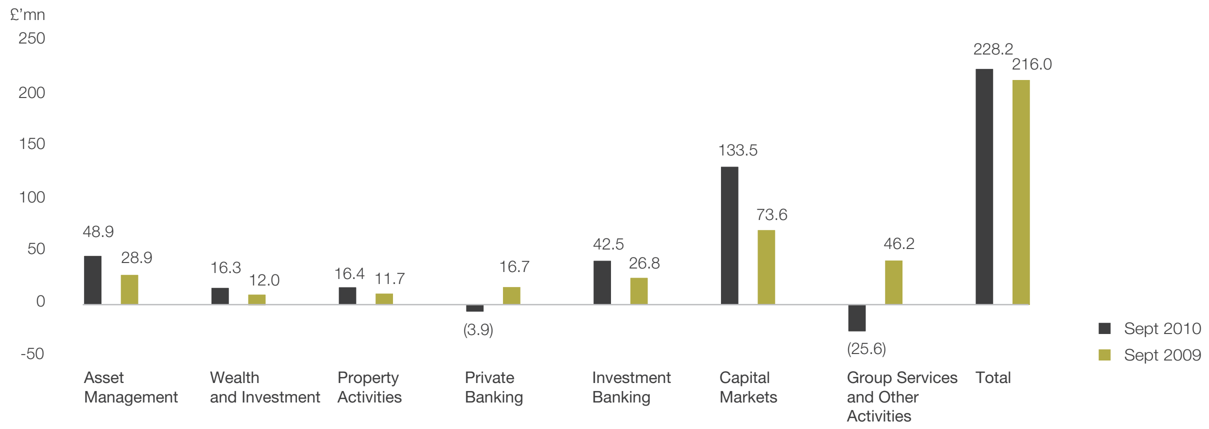
For the 6 months to 30 September 2009 £'000	UK and Europe	Southern Africa	Australia	Total group	% of total
Asset Management	7 513	21 419	–	28 932	13.4%
Wealth and Investment	5 389	6 619	–	12 008	5.6%
Property Activities	619	9 464	1 650	11 733	5.4%
Private Banking	8 754	8 283	(328)	16 709	7.7%
Investment Banking	(1 527)	27 192	1 119	26 784	12.4%
Capital Markets	41 161	30 695	1 781	73 637	34.1%
Group Services and Other Activities	24 816	21 485	(125)	46 176	21.4%
Total group	86 725	125 157	4 097	215 979	100.0%
Minority interest - equity				(10 843)	
Operating profit before goodwill				205 136	
% of total	40.2%	57.9%	1.9%	100.0%	

Financial review

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities by geography



Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities by line of business



Financial review

Goodwill

The current period goodwill impairment relates to Asset Management businesses acquired in prior years.

Goodwill and intangible assets analysis - balance sheet information

£'000	30 Sept 2010	31 March 2010	30 Sept 2009
UK and Europe	401 058	207 892	198 784
Asset Management	88 033	88 045	87 912
Wealth and Investment	193 613	–	–
Private Banking	18 829	18 695	18 698
Investment Banking	17 519	17 951	17 348
Capital Markets	83 064	83 201	74 826
South Africa	22 603	25 147	24 393
Asset Management	18 916	21 498	21 011
Wealth and Investment	3 286	3 253	3 015
Property Activities	401	396	367
Australia	42 464	41 378	37 810
Private Banking	22 541	22 213	22 213
Investment Banking	19 923	19 165	15 597
Intangibles	167 506	36 620	35 914
Total group	633 631	311 037	296 901

Amortisation of intangibles

The current period amortisation of intangibles relates to the acquisition of Rensburg Sheppards plc and mainly comprises amortisation of client relationships.

Profit on acquisition of subsidiary

A net gain of £73.5 million has arisen on the acquisition of Rensburg Sheppards plc, refer to page 10.

Write-down of subsidiaries held for sale

At 30 September 2010, the group had entered into a firm agreement to dispose of one of its investments that is consolidated into the group accounts. Regulatory approval for the transaction was pending at 30 September 2010. As a result the subsidiary has been treated as an asset held for sale, effectively being held at fair value, less cost to realise in the group's accounts. All of the assets and liabilities of the investment have been recognised on single asset and liability lines on the balance sheet, referred to as "non-current assets classified as held for sale" and "liabilities directly associated with non-current assets held for sale". A loss of £6.5 million (net of minorities) arising on the pending transaction has been recognised in the income statement in the current period.

Taxation

The operational effective tax rate of the group increased from 18.2% to 20.2%, due to a change in the mix of taxable and non-taxable earnings.

	Effective operational tax rates 30 Sept 2010	Effective operational tax rates 30 Sept 2009	30 Sept 2010 £'000	30 Sept 2009 £'000	Variance £'000	% change
UK and Europe	20.1%	5.1%	(12 969)	(3 472)	(9 497)	>100.0%
Southern Africa	20.2%	24.5%	(29 963)	(31 373)	1 410	(4.5%)
Australia	17.4%	38.1%	(220)	(1 366)	1 146	(83.9%)
Tax	20.2%	18.2%	(43 152)	(36 211)	(6 941)	19.2%

Losses attributable to minority interests

Losses attributable to minority interests of £12.3 million largely comprise:
- £7.4 million relating to investments consolidated in the Private Equity division;
- £4.9 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of minority interests. (The transaction is hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to minorities).

Financial review

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £178.5 million to £247.0 million.

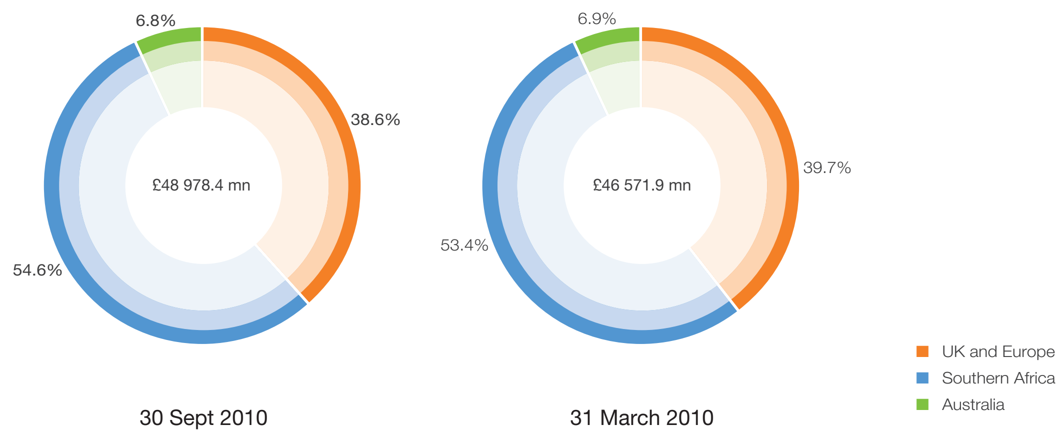
Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on page 18 and pages 144 to 147.

Balance sheet analysis

Since 31 March 2010:
- Total shareholders' equity (including minority interests) increased by 15.4% to £3.8 billion largely as a result of retained earnings and the issue of shares
- Total assets increased from £46.6 billion to £49.0 billion largely as a result of increased cash holdings and advances, as well as in increase in goodwill and intangibles associated with the acquisition of Rensburg Sheppards plc
- The return on adjusted average shareholders' equity declined from 13.5% to 11.5%
- Net asset value per share increased by 8.4% to 394.6 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 1.9% to 317.8 pence.

Assets by geography



Net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	30 Sept 2010	31 March 2010	30 Sept 2009
Shareholders' equity	3 470 935	2 954 982	2 672 822
Less: perpetual preference shares issued by holding companies	(392 906)	(378 071)	(321 976)
Less: goodwill and intangible assets (excluding software)	(599 546)	(282 264)	(270 426)
Net tangible asset value	2 478 483	2 294 647	2 080 420
Number of shares in issue (million)	810.0	741.0	737.7
Treasury shares (million)	(30.0)	(33.0)	(37.0)
Number of shares in issue in this calculation (million)	780.0	708.0	700.7
Net tangible asset value per share (pence)	317.8	324.1	296.9

Capital adequacy

Refer to pages 86 to 89.

ROE - assessment of economic capital utilised

In order to assess the return on economic capital utilised, the group believes that certain adjustments as detailed in the tables below should be made to the income statement analysis and balance sheet analysis as reflected under IFRS. The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon, notwithstanding accounting conventions.

Return on capital by segment

The methodology applied in accessing the utilisation of the group's economic capital is as follows:

- A notional return on capital (net of the costs of subordinated debt) which is managed and borne in the centre is allocated from Group Services and Other Activities (GSO) to the business segments based on their total capital utilisation

£'000	30 Sept 2010	31 March 2010	Average	30 Sept 2009	31 March 2009	Average
Calculation of average ordinary shareholders' equity						
Ordinary shareholders' equity	3 078 029	2 576 759	2 827 394	2 350 695	1 997 342	2 174 019
Goodwill and intangible assets (excluding software)	(599 546)	(282 264)	(440 905)	(270 426)	(274 998)	(272 712)
Tangible ordinary shareholders' equity	2 478 483	2 294 495	2 386 489	2 080 269	1 722 344	1 901 307

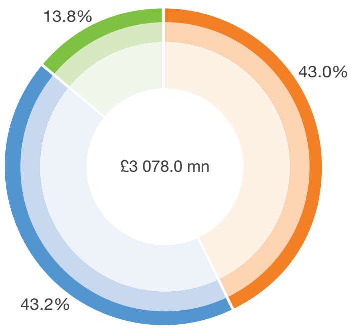
£'000	30 Sept 2010	30 Sept 2009	31 March 2010
Operating profit before goodwill impairment and non-operational items	217 320	205 136	413 456
Minority interests	10 837	10 843	18 802
Preference dividends	(21 127)	(19 346)	(39 949)
Revised operating profit	207 030	196 633	392 309
Tax on ordinary activities	(43 828)	(36 211)	(82 599)
Revised operating profit after tax	163 202	160 422	309 710
Pre-tax return on average ordinary shareholders' equity	14.6%	18.1%	17.2%
Post-tax return on average ordinary shareholders' equity	11.5%	14.8%	13.5%
Pre-tax return on average ordinary tangible shareholders' equity	17.4%	20.7%	19.5%
Post-tax return on average ordinary tangible shareholders' equity	13.7%	16.9%	15.4%

ROE by geography

£'000	UK and Europe	Southern Africa	Australia	Total group
Total operating profit	67 426	148 458	1 436	217 320
Tax on profit on ordinary activities	(13 645)	(29 963)	(220)	(43 828)
Minority interests	12 612	(2 048)	273	10 837
Preference dividends	(7 136)	(13 991)	–	(21 127)
Profit on ordinary activities after taxation - 30 Sept 2010	59 257	102 456	1 489	163 202
Profit on ordinary activities after taxation - 30 Sept 2009	75 879	81 812	2 731	160 422
Ordinary shareholders' equity at 30 Sept 2010	1 324 869	1 330 430	422 730	3 078 029
Goodwill and intangible assets (excluding software)	532 368	22 668	44 510	599 546
Tangible ordinary shareholders' equity at 30 Sept 2010	792 501	1 307 762	378 220	2 478 483
Shareholders' equity at 30 Sept 2009	922 690	1 058 523	369 482	2 350 695
Goodwill and intangible assets (excluding software)	207 750	24 457	38 219	270 426
Tangible shareholders' equity at 30 Sept 2009	714 940	1 034 066	331 263	2 080 269
Ordinary shareholders' equity at 31 March 2010	926 184	1 237 783	412 792	2 576 759
Average ordinary shareholders' equity at 30 Sept 2010	1 125 527	1 284 107	417 760	2 827 394
Average ordinary shareholders' equity at 30 Sept 2009	870 713	968 677	334 629	2 174 019
Average ordinary shareholders' equity at 31 March 2010	872 460	1 058 307	356 284	2 287 051
Post-tax return on average ordinary shareholders' equity at 30 Sept 2010	10.5%	16.0%	0.7%	11.5%
Post-tax return on average ordinary shareholders' equity at 30 Sept 2009	17.4%	16.9%	1.6%	14.8%
Post-tax return on average ordinary shareholders' equity at 30 March 2010	11.4%	18.5%	4.0%	13.5%

Financial review

Adjusted shareholders' equity by geography



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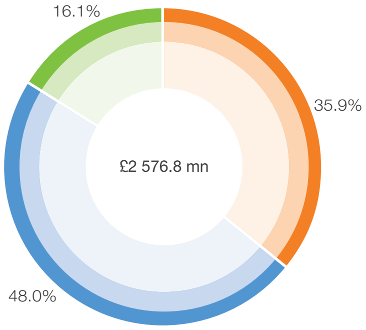


31 March 2010

- UK and Europe
- Southern Africa
- Australia

ROE by division

£'000	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Total operating profit, after minority interests	48 913	16 342	16 408	(3 879)	42 510	133 506	(25 643)	228 157
Notional return on regulatory capital	699	564	3 242	28 315	6 556	23 655	(63 031)	–
Notional cost of statutory capital	(4 857)	(706)	(3 179)	0	(3 288)	(9 348)	21 378	–
Cost of subordinated debt	(327)	(226)	(1 669)	(12 366)	(3 014)	(6 950)	24 552	–
Cost of preference shares	(231)	(203)	(978)	(8 406)	(2 062)	(7 838)	(1 409)	(21 127)
Absorption of additional residual costs **	(3 030)	(2 164)	(3 164)	(6 340)	(5 489)	(10 622)	30 809	–
Adjusted earnings/(losses) – 30 Sept 2010	41 167	13 607	10 660	(2 676)	35 213	122 403	(13 344)	207 030
Adjusted earnings – 30 Sept 2009	20 121	9 105	7 948	19 541	19 380	68 389	52 149	196 633
Ordinary shareholders' equity at 30 Sept 2010	138 367	369 056	91 860	1 023 696	266 541	1 039 718	148 791	3 078 029
Goodwill and intangible assets (excluding software)	106 949	322 145	401	41 370	43 505	83 748	1 428	599 546
Tangible ordinary shareholders' equity at 30 Sept 2010	31 418	46 911	91 459	982 326	223 036	955 970	147 363	2 478 483
Ordinary shareholders' equity at 30 Sept 2009	131 397	20 363	62 376	900 805	223 437	882 780	129 537	2 350 695
Goodwill and intangible assets (excluding software)	108 924	3 015	367	38 220	44 640	74 989	271	270 426
Tangible ordinary shareholders' equity at 30 Sept 2009	22 473	17 348	62 009	862 585	178 797	807 791	129 266	2 080 269
Ordinary shareholders' equity at 31 March 2010	137 308	20 094	75 615	1 008 371	256 666	958 173	120 532	2 576 759
Average ordinary shareholders' equity at 30 Sept 2010	137 838	194 575	83 738	1 016 034	261 604	998 946	134 659	2 827 394
Average ordinary shareholders' equity at 30 Sept 2009	125 909	18 991	55 646	798 735	207 046	850 554	117 138	2 174 019
Average ordinary shareholders' equity at 31 March 2010	128 865	18 857	62 265	852 517	223 661	888 250	112 636	2 287 051
Pre-tax return on average ordinary shareholders' equity – 30 Sept 2010	59.7%	14.0%	25.5%	(0.5%)	26.9%	24.5%	(19.8%)	14.6%
Pre-tax return on average ordinary shareholders' equity – 30 Sept 2009	32.0%	95.9%	28.6%	4.9%	18.7%	16.1%	89.0%	18.1%
Pre-tax return on average ordinary shareholders' equity – 31 March 2010	53.0%	101.5%	41.0%	5.3%	17.1%	18.5%	28.8%	17.2%

* *Where: AM = Asset Management WI = Wealth and Investment PA = Property Activities PB = Private Banking IB = Investment Banking CM = Capital Markets GSO = Group Services and Other Activities*

** *This allocation represents a portion of the costs remaining in the centre which are indirectly allocated to operating divisions as they facilitate their operations but are excluded in calculating performance incentive remuneration. These allocations are based on managements' estimates of relative benefit derived.*

Total third party assets under management

£'million	30 Sept 2010	31 March 2010	30 Sept 2009
Wealth and Investment*	27 691	27 139	24 102
South Africa	12 896	12 053	10 247
Rensburg Sheppards plc and other international businesses	14 795	15 086	13 855
Property Activities	262	286	224
UK and Europe	63	73	28
South Africa	47	61	57
Australia	152	152	139
Investec Asset Management	49 491	46 403	38 239
UK and international	23 727	21 666	17 583
Southern Africa	25 764	24 737	20 656
Private Equity and Capital Markets			
Australia	375	362	307
Total third party assets under management	77 819	74 190	62 872

30 Sept 2010 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Wealth and Investment*	14 429	12 896	366	27 691
– Discretionary	8 818	1 892	–	10 710
– Non–discretionary	3 077	11 004	–	14 081
– Other	2 534	–	366	2 900
Investec Asset Management	23 727	25 764	–	49 491
– Institutional	11 276	17 207	–	28 483
– Retail	12 451	8 557	–	21 008
Property Activities	63	47	152	262
Australia Private Equity and Capital Markets	–	–	375	375
Total third party assets under management	38 219	38 707	893	77 819

31 March 2010 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Wealth and Investment*	14 709	12 053	377	27 139
– Discretionary	8 517	1 776	–	10 293
– Non–discretionary	3 082	10 277	–	13 359
– Other	3 110	–	377	3 487
Investec Asset Management	21 666	24 737	–	46 403
– Institutional	10 602	16 980	–	27 582
– Retail	11 064	7 757	–	18 821
Property Activities	73	61	152	286
Australia Private Equity and Capital Markets	–	–	362	362
Total third party assets under management	36 448	36 851	891	74 190

30 Sept 2009 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Wealth and Investment*	13 530	10 247	325	24 102
– Discretionary	7 926	1 465	–	9 391
– Non–discretionary	2 918	8 782	–	11 700
– Other	2 686	–	325	3 011
Investec Asset Management	17 583	20 656	–	38 239
– Institutional	8 813	14 464	–	23 277
– Retail	8 770	6 192	–	14 962
Property Activities	28	57	139	224
Australia Private Equity and Capital Markets	–	–	307	307
Total third party assets under management	31 141	30 960	771	62 872

* *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Financial review

Operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after minorities and excluding income from associates) per employee

By division	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Number of employees – 30 Sept 2010	1 008	972	83	2 147	372	1 265	1 243	7 090
Number of employees – 31 March 2010	968	211	77	2 232	371	1 089	1 175	6 123
Number of employees – 31 March 2009	927	204	75	2 136	359	1 030	1 132	5 863
Number of employees – 31 March 2009	925	208	78	2 200	366	1 060	1 114	5 951
Average employees – 6 months to 30 Sept 2010	988	592	79	2 190	372	1 177	1 208	6 606
Average employees – 6 months to 30 Sept 2009	926	206	77	2 168	363	1 045	1 122	5 907
Operating profit^ – 6 months to 30 Sept 2010	48 913	13 966	16 408	(4 051)	41 997	133 506	(25 754)	224 985
Operating profit^ – 6 months to 30 Sept 2009	28 932	6 622	11 733	16 568	26 709	73 574	45 912	210 050
Operating profit per employee^^ – 30 Sept 2010 (£'000)	49.5	23.6	207.7	(1.8)	112.9	113.4	(21.3)	34.1
Operating profit per employee^^ – 30 Sept 2009 (£'000)	31.2	32.1	152.4	7.6	73.6	70.4	40.9	35.6

By geography	UK and Europe	Southern Africa	Australia	Total group
Number of employees – 30 Sept 2010	2 666	4 000	424	7 090
Number of employees – 31 March 2010	1 862	3 883	378	6 123
Number of employees – 30 Sept 2009	1 808	3 696	359	5 863
Number of employees – 31 March 2009	1 803	3 794	354	5 951
Average employees – 6 months to 30 Sept 2010	2 263	3 942	401	6 606
Average employees – 6 months to 30 Sept 2009	1 805	3 745	357	5 907
Operating profit^ – 6 months to 30 Sept 2010	77 012	146 436	1 537	224 985
Operating profit^ – 6 months to 30 Sept 2009	80 932	125 162	3 956	210 050
Operating profit per employee^^ – 30 Sept 2010 (£'000)	34.0	37.1	3.8	34.1
Operating profit per employee^^ – 30 Sept 2009 (£'000)	44.8	33.4	11.1	35.6

* *Where: AM=Asset Management WI=Wealth and investment PA= Property Activities PB=Private Banking IB = Investment Banking CM=Capital Markets GSO=Group Services and Other Activities*

^ *Excluding operating income from associates.*

^^ *Based on average number of employees over the period.*

Financial review

Number of employees

By division - permanent employees	30 Sept 2010	31 March 2010	30 Sept 2009	31 March 2009
Asset Management				
UK, Europe and Other	289	272	266	273
Southern Africa	640	627	604	605
Total	929	899	870	878
Wealth and Investment				
UK and Europe	672	–	–	–
Southern Africa	266	200	195	202
Total	938	200	195	202
Property Activities				
UK and Europe	6	5	5	5
Southern Africa	57	57	57	62
Australia	11	8	7	8
Total	74	70	69	75
Private Banking				
UK and Europe	429	502	511	521
Southern Africa	1 357	1 382	1 317	1 400
Australia	195	179	174	181
Total	1 981	2 063	2 002	2 102
Investment Banking				
UK, Europe and Hong Kong	162	164	157	147
Southern Africa	144	145	154	162
Australia	42	41	31	38
USA	14	13	10	12
Total	362	363	352	359
Capital Markets				
UK and Europe	753	587	552	541
Southern Africa	440	431	414	428
Australia	54	43	41	43
Total	1 247	1 061	1 007	1 012
Group Services and Other Activities				
UK and Europe	259	245	236	231
Southern Africa	711	700	677	682
Australia	86	83	81	82
Total	1 056	1 028	994	995
Total number of permanent employees	6 587	5 684	5 489	5 623

By geography	30 Sept 2010	31 March 2010	30 Sept 2009	31 March 2009	31 March 2008	31 March 2007
UK and Europe	2 556	1 763	1 725	1 706	1 812	1 294
SA and Other	3 615	3 542	3 418	3 541	3 666	3 476
Australia	390	356	336	354	424	235
USA	26	23	10	22	12	5
Temporary employees and contractors	503	439	374	328	419	420
Total number of employees	7 090	6 123	5 863	5 951	6 333	5 430

Additional information

Shareholder analysis

As at 30 September 2010 Investec plc and Investec Limited had 537.2 million and 272.8 million ordinary shares in issue, respectively.

Largest shareholders as at 30 September 2010

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006 and Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

	Shareholder analysis by manager group	Number of shares	% holding
1	PIC (ZA)	63 498 888	11.8
2	Old Mutual (UK and ZA)	38 465 081	7.2
3	STANLIB (ZA)	27 841 408	5.2
4	BlackRock Inc (UK and US)	22 278 670	4.2
5	Legal & General Investment Management Ltd (UK)	20 764 295	3.9
6	Sanlam Group (ZA)	15 157 347	2.8
7	Prudential Group (ZA)	14 903 022	2.8
8	State Street Corporation (UK and US)	14 805 909	2.8
9	Abax Investments (ZA)	14 514 994	2.7
10	JPMorgan Chase & Co (UK)	14 245 018	2.7
	Cumulative total	246 474 632	46.1

The top 10 shareholders account for 46.1% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated. The above analysis excludes shares held by Investec directors.

Investec Limited

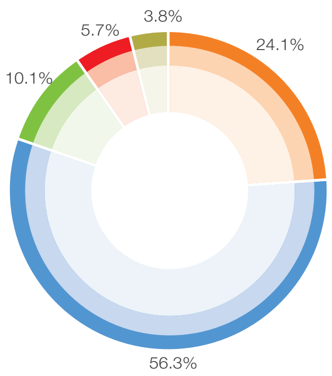
	Shareholder analysis by manager group	Number of shares	% holding
1	PIC(ZA)	36 426 970	13.4
2	Investec Staff Share Schemes (ZA)	25 246 170	9.3
3	Old Mutual (UK and ZA)	23 001 111	8.4
4	Entrepreneurial Development Trust (ZA)*	14 000 000	5.1
5	Tiso INL Investments (Pty) Ltd (ZA)*	14 000 000	5.1
6	STANLIB (ZA)	10 300 489	3.8
7	RMB Asset Management (ZA)	10 279 885	3.8
8	BlackRock Inc (UK and US)	9 028 335	3.3
9	Sanlam Group (ZA)	8 076 784	3.0
10	Dimensional Fund Advisors (UK)	5 859 206	2.2
	Cumulative total	156 218 950	57.4

The top 10 shareholders account for 57.4% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated. The above analysis excludes shares held by Investec directors.

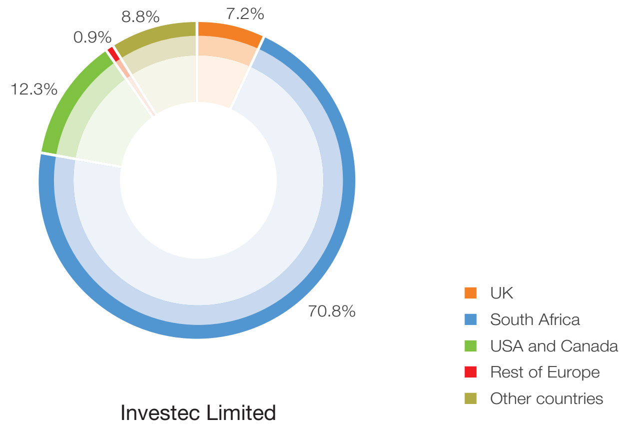
* *In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.*

Shareholder analysis (continued)

Geographic holding as at 30 September 2010



Investec plc



Investec Limited

Share statistics

Investec plc ordinary shares in issue

For the period ended	30 Sept 2010	31 March 2010	30 Sept 2009	31 March 2009	30 Sept 2008	31 March 2008
Closing market price per share (Pounds)						
– period ended	5.09	5.39	4.58	2.92	3.02	3.39
– highest	5.51	5.62	4.58	4.21	5.81	7.65
– lowest	4.29	2.87	2.87	1.69	2.77	2.94
Number of ordinary shares in issue (million)	537.2	471.1	468.9	444.9	424.2	423.3
Market capitalisation (£' million)[1]	2 734	2 539	2 148	1 299	1 281	1 435
Daily average volume of shares traded ('000)	1 969	1 933	2 230	2 604	1 744	3 926

Investec Limited ordinary shares in issue

For the period ended	30 Sept 2010	31 March 2010	30 Sept 2009	31 March 2009	30 Sept 2008	31 March 2008
Closing market price per share (Rands)						
– period ended	59.47	62.49	57.13	38.86	47.50	57.43
– highest	65.50	65.40	58.63	63.19	80.85	104.40
– lowest	52.55	37.51	37.51	27.20	42.00	50.90
Number of ordinary shares in issue (million)	272.8	269.8	268.7	268.3	262.6	234.3
Market capitalisation (R'million)[2]	48 171	46 299	42 139	27 715	36 623	37 766
Market capitalisation (£'million)	4 123	3 378	3 515	2 083	2 074	2 229
Daily average volume of shares traded ('000)	900	1 068	1 226	1 168	489	841

Notes:

1 *The LSE only include the shares in issue for Investec plc i.e. currently 537.2 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

2 *The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation i.e. currently a total of 810.0 million shares in issue.*

Risk management

As per Basel II regulations, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our Annual Financial Statements for the year ended 31 March 2010.

Philosophy and approach

The group recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities.

Group Risk Management (part of Group Services) is independent from the business units and monitors, manages and reports on our risk to ensure it is within the stated appetite as mandated by the board of directors through the Board Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise.

We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management has specialist divisions in the UK, South Africa, Australia and smaller risk divisions in other regions to promote sound risk management practices.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. Group Risk Management continually seeks new ways to enhance its techniques.

Group Risk Management objectives are to:
- Be the custodian of our risk management culture
- To ensure the business operates within the board stated appetite
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board.

Overall group summary of the period in review from a risk perspective

Investec has continued to maintain a sound balance sheet with low leverage, and a diversified business model. This has been supported by the following key operating fundamentals:
- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, continued to experience an increase in defaults as a result of weak economic conditions. The credit loss ratio decreased to 1.02% of loans and advances (31 March 2010: 1.16%)
- Limited exposure to rated and unrated structured credit investments; representing 3.1% of total assets
- A low leverage (gearing) ratio of 11.4 times
- Low equity (investment) risk exposure; within total investments comprising 3.4% of total assets
- Modest proprietary market risk within our trading portfolio; value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (15 standard deviations) amount to approximately 1% of total operating income for the six months to 30 September 2010
- A high level of readily available, high quality liquid assets; cash and near cash of approximately £10 billion, representing on average 20% to 35% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- An increase in retail customer deposits
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have continued to strengthen our capital base during the period
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Salient features

A summary of key risk indicators is provided in the table below.

	UK and Europe £		Southern Africa R		Australia A$		Investec group £	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
Net core loans and advances (million)	5 409	5 437	119 407	118 155	3 068	3 029	18 148	17 891
Gross defaults as a % of gross core loans and advances	6.21%	4.91%	4.56%	3.96%	11.52%	12.00%	5.78%	5.07%
Defaults (net of impairments) as a % of net core loans and advances	4.21%	3.16%	3.74%	3.32%	10.18%	10.26%	4.55%	3.98%
Credit loss ratio^	1.68%	1.72%	0.62%	0.71%	1.25%	1.67%	1.02%	1.16%
Structured credit investments as a % of total assets	3.3%	3.7%	1.1%	1.5%	1.7%	2.1%	3.1%	2.6%
Banking book investment and equity risk exposures as a % of total assets	1.3%	1.1%	5.8%	5.5%	0.3%	0.6%	3.4%	3.1%
Traded market risk: one-day value at risk (million)	1.7	1.8	4.9	3.6	–	0.1	n/a	n/a
Cash and near cash (million)	3 730	3 653	56 332	47 986	1 836	1 814	9 968	9 117
Customer accounts (deposits) (million)	8 507	8 025	150 954	143 121	2 072	1 721	23 494	21 934
Core loans to equity ratio	3.6x*	4.4x*	6.1x	6.4x	4.5x	4.4x	4.8x	5.4x
Total gearing/leverage ratio**	11.0x*	13.3x*	11.7x	11.7x	8.1x	7.9x	11.4x	12.5x
Core loans (excluding own originated assets which have been securitised) to customer deposits	69.5%*	74.3%*	74.5%	77.5%	109.1%	126.0%	72.5%	76.2%
Capital adequacy ratio	16.7%*	15.9%*	16.2%	15.6%	18.5%	19.2%	n/a	n/a
Tier 1 ratio	12.1%*	11.3%*	12.1%	12.1%	15.4%	16.6%	n/a	n/a

^ *Income statement impairment charge on loans as a percentage of average advances.*
** *Total assets excluding assurance assets to total equity.*
* *Ratios are reflected at an Investec plc level (including Australia).*

Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity or jurisdiction in line with regulatory and other requirements.

Credit and counterparty risk management

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk)
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

Credit and counterparty risk information

The tables that follow provide an analysis of our credit and counterparty exposures.

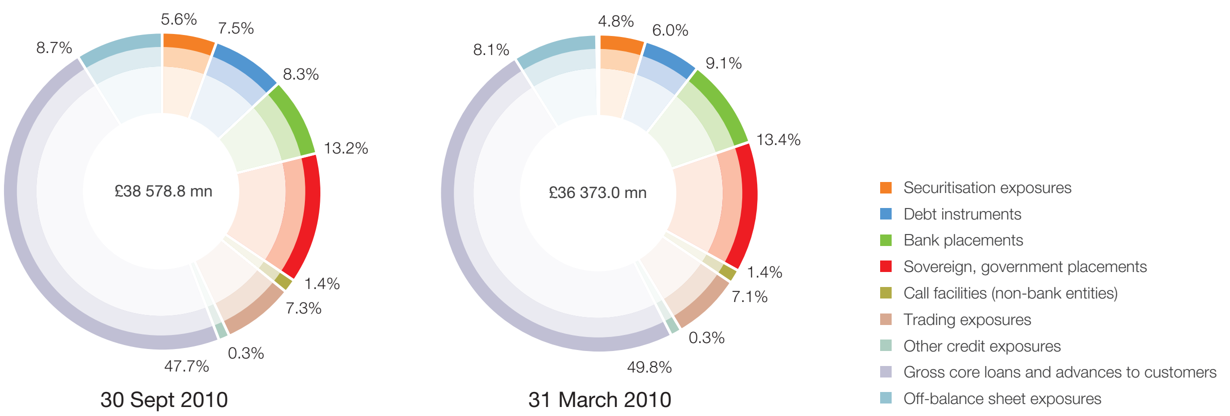
An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 6.1% since 31 March 2010 to £38.6 billion largely as a result of an increase in cash and near cash balances over the period. Cash and near cash balances increased by 9.3% to £10 billion and are largely reflected in the following line items in the table below: debt instruments; bank placements; sovereign, government placements. Core loans and advances remained largely flat as expressed in home currencies (refer to page 41).

£'000	30 Sept 2010	31 March 2010	% change	Average*
On-balance sheet exposures	35 184 623	33 424 983	5.3%	34 304 803
Securitisation exposures arising from securitisation/ principal finance activities	2 145 155	1 753 645	22.3%	1 949 400
Rated instruments	794 616	546 469	45.4%	670 543
Unrated instruments	225 262	203 032	10.9%	214 147
Other	1 125 277	1 004 144	12.1%	1 064 711
Debt instruments – non sovereign (NCDs, bonds held,debentures)	2 879 316	2 209 936	30.3%	2 544 626
Bank placements	3 204 475	3 293 211	(2.7%)	3 248 843
Sovereign, government placements	5 098 361	4 867 650	4.7%	4 983 006
Call facilities (non-bank entities)	527 758	502 036	5.1%	514 897
Trading exposures (positive fair value excluding potential future exposures)	2 828 174	2 597 731	8.9%	2 712 953
Other credit exposures	116 146	103 636	12.1%	109 891
Gross core loans and advances to customers**	18 385 238	18 097 138	1.6%	18 241 188
Off-balance sheet exposures	3 392 179	2 948 037	15.1%	3 170 108
Guarantees	559 375	345 363	62.0%	452 369
Contingent liabilities, committed facilities, other	2 832 804	2 602 674	8.8%	2 717 739
Total gross credit and counterparty exposures pre collateral or other credit enhancements	38 576 802	36 373 020	6.1%	37 474 911

* *Where the average is based on a straight line average for the period 31 March 2010 to 30 September 2010.*
** *As calculated on page 49.*

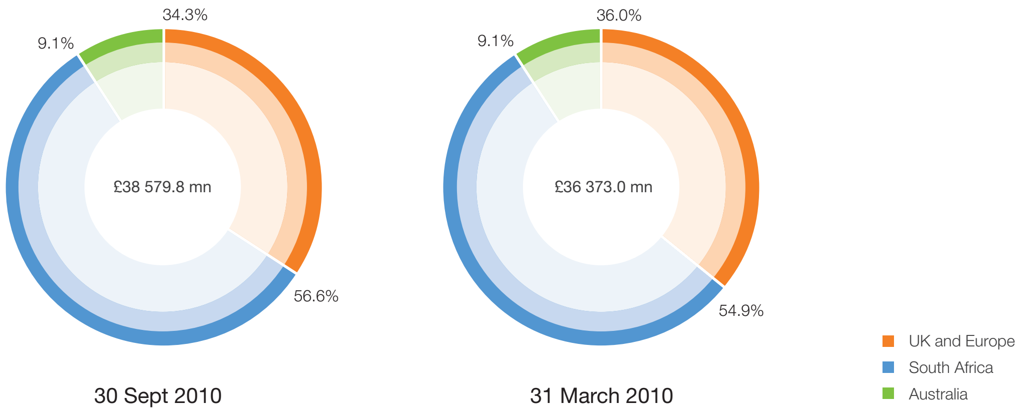
An analysis of gross credit and counterparty exposures



An analysis of gross credit and counterparty exposures by geography

£'000	UK and Europe		Southern Africa		Australia		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
On-balance sheet exposures	12 716 064	12 637 394	19 215 604	17 648 464	3 252 955	3 139 125	35 184 623	33 424 983
Securitisation exposures arising from securitisation/principal finance activities	1 775 388	1 387 876	313 071	296 860	56 696	68 909	2 145 155	1 753 645
Rated instruments	540 087	316 046	197 833	161 514	56 696	68 909	794 616	546 469
Unrated instruments	194 526	168 497	30 736	34 535	–	–	225 262	203 032
Other	1 040 775	903 333	84 502	100 811	–	–	1 125 277	1 004 144
Debt instruments – non sovereign (NCDs, bonds held, debentures)	182 189	205 834	1 746 883	1 402 311	950 244	601 791	2 879 316	2 209 936
Bank placements	1 834 764	1 674 188	1 278 606	1 549 090	91 105	69 933	3 204 475	3 293 211
Sovereign, government placements	1 970 104	2 348 319	3 009 088	2 013 550	119 169	505 781	5 098 361	4 867 650
Call facilities (non-bank entities)	–	–	527 758	502 036	–	–	527 758	502 036
Trading exposures (positive fair value excluding potential future exposures)	1 416 276	1 467 111	1 334 771	1 090 364	77 127	40 256	2 828 174	2 597 731
Other credit exposures	15 618	17 311	56 063	86 325	44 465	–	116 146	103 636
Gross core loans and advances to customers	5 521 725	5 536 755	10 949 364	10 707 928	1 914 149	1 852 455	18 385 238	18 097 138
Off-balance sheet exposures	511 493	442 116	2 624 541	2 337 012	256 145	168 909	3 392 179	2 948 037
Guarantees	9 991	9 948	506 239	294 969	43 145	40 446	559 375	345 363
Contingent liabilities,committed facilities,other	501 502	432 168	2 118 302	2 042 043	213 000	128 463	2 832 804	2 602 674
Total gross credit and counterparty exposures pre collateral or other credit enhancements	13 227 557	13 079 510	21 840 145	19 985 476	3 509 100	3 308 034	38 576 802	36 373 020

An analysis of gross credit and counterparty exposures by geography



Risk management

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

£'000	Securitisation exposures arising from securitisation/principal finance activities				Debt instru-ments – non sovereign (NCDs, bonds held, debentures)
	Total	Rated instruments	Unrated instruments	Other	
As at 30 September 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	15 256
Trading securities	45 015	24 308	20 707	–	1 286 550
Derivative financial instruments	16 860	–	–	16 860	–
Investment securities	86 581	78 054	8 527	–	1 488 810
Loans and advances to customers	1 124 315	580 219	24 090	520 006	–
Loans and advances to customers – Kensington warehouse assets	584 474	–	–	584 474	–
Securitised assets	286 114	112 035	171 938	2 141	–
Interests in associated undertakings	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	1 796	–	–	1 796	88 700
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Non-current assets classified as held for resale	–	–	–	–	–
Total	2 145 155	794 616	225 262	1 125 277	2 879 316
As at 31 March 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–				–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	119 403
Trading securities	49 812	23 305	26 507	–	1 122 547
Derivative financial instruments	22 769	–	–	22 769	–
Investment securities	69 133	62 390	6 743	–	918 989
Loans and advances to customers	800 389	375 027	10 085	415 277	–
Loans and advances to customers – Kensington warehouse assets	555 307	–	–	555 307	–
Securitised assets	248 710	85 747	159 697	3 266	–
Interests in associated undertakings	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	7 525	–	–	7 525	48 997
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Total	1 753 645	546 469	203 032	1 004 144	2 209 936

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 65 to 67.*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the*

Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
3 610	1 541 939	–	5 222	–	–	1 550 771	36		1 550 807
2 234 077	–	–	23 664	–	–	2 257 741	–		2 257 741
–	–	527 758	–	–	–	527 758	–		527 758
626 707	–	–	565 292	–	–	1 207 255	–		1 207 255
–	2 595 358	–	430 662	–	–	4 357 585	981 098	1	5 338 683
–	–	–	1 688 356	–	–	1 705 216	265 454		1 970 670
302 159	961 064	–	173	–	–	2 838 787	77 182	1	2 915 969
–	–	–	–	77 174	17 261 161	18 462 650	(352 440)	2	18 110 210
–	–	–	–	–	–	584 474	1 099 112	3	1 683 586
–	–	–	–	–	1 124 077	1 410 191	3 740 230	4	5 150 421
–	–	–	–	–	–	–	22 303		22 303
–	–	–	–	–	–	–	132 252		132 252
37 922	–	–	114 805	38 972	–	282 195	906 483		1 188 678
–	–	–	–	–	–	–	57 774		57 774
–	–	–	–	–	–	–	324 672		324 672
–	–	–	–	–	–	–	466 125		466 125
–	–	–	–	–	–	–	167 506		167 506
–	–	–	–	–	–	–	5 783 905		5 783 905
–	–	–	–	–	–	–	122 133		122 133
3 204 475	5 098 361	527 758	2 828 174	116 146	18 385 238	35 184 623	13 793 825		48 978 438
3 914	2 334 273	–	–	–	–	2 338 187	47		2 338 234
2 754 037	–	319	27 079	195	–	2 781 630	–		2 781 630
–	–	501 717	–	79 400	–	581 117	–		581 117
377 277	–	–	414 752	–	–	911 432	–		911 432
–	1 687 945	–	486 500	–	–	3 346 804	874 841	1	4 221 645
–	–	–	1 321 333	–	–	1 344 102	247 739		1 591 841
100 581	845 432	–	–	–	–	1 934 135	61 938	1	1 996 073
–	–	–	–	–	16 924 421	17 724 810	(310 119)	2	17 414 691
–	–	–	–	–	–	555 307	1 221 218	3	1 776 525
–	–	–	–	–	1 172 717	1 421 427	3 913 026	4	5 334 453
–	–	–	–	–	–	–	104 059		104 059
–	–	–	–	–	–	–	134 355		134 355
57 402	–	–	348 067	24 041	–	486 032	754 592		1 240 624
–	–	–	–	–	–	–	161 255		161 255
–	–	–	–	–	–	–	273 038		273 038
–	–	–	–	–	–	–	274 417		274 417
–	–	–	–	–	–	–	36 620		36 620
–	–	–	–	–	–	–	5 399 856		5 399 856
3 293 211	4 867 650	502 036	2 597 731	103 636	18 097 138	33 424 983	13 146 882		46 571 865

maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".

4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 125 and 128. Also includes liquidity facilities provided to third party corporate securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.*

Risk management

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
As at 30 September 2010						
On-balance sheet exposures	13 144 567	49 177	327 560	5 278 048	389 473	10 717 462
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–	830 762
Rated instruments	–	–	–	–	–	666 428
Unrated instruments	–	–	–	–	–	65 001
Other	–	–	–	–	–	99 333
Debt instruments – non sovereign (NCDs, bonds held,debentures)	–	–	879	6 838	–	2 821 089
Bank placements	–	–	–	–	–	3 204 475
Sovereign, government placements	–	–	–	5 098 361	–	–
Call facilities (non-bank entities)	–	9 149	–	–	31 164	185 581
Trading exposures (positive fair value excluding potential future exposures)	25 059	474	18 484	36	52 442	2 478 894
Other credit exposures	291	–	–	–	–	25 187
Gross core loans and advances to customers	13 119 217*	39 554	308 197	172 813	305 867	1 171 474
Off-balance sheet exposures	2 358 960	19 472	111 780	15 123	16 633	443 853
Guarantees	315 159	–	6 084	23	16 633	166 873
Contingent liabilities, committed facilities, other	2 043 801	19 472	105 696	15 100	–	276 980
Total gross credit and counterparty exposures pre collateral or other credit enhancements	15 503 527	68 649	439 340	5 293 171	406 106	11 161 315
As at 31 March 2010						
On-balance sheet exposures	13 087 885	57 698	290 454	5 097 621	321 733	9 549 068
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–	539 958
Rated instruments	–	–	–	–	–	391 812
Unrated instruments	–	–	–	–	–	34 630
Other	–	–	–	–	–	113 516
Debt instruments – Non Sovereign (NCDs, bonds held, debentures)	–	–	20 663	–	–	2 176 523
Bank placements	–	–	–	–	–	3 293 211
Sovereign, government placements	–	–	–	4 867 650	–	–
Call facilities (non-bank entities)	–	4 535	–	–	30 220	131 964
Trading exposures (positive fair value excluding potential future exposures)	21 972	926	20 298	–	68 716	2 257 000
Other credit exposures	3 129	–	–	107	–	96 027
Gross core loans and advances to customers	13 062 784*	52 237	249 493	229 864	222 797	1 054 385
Off-balance sheet exposures	2 329 509	8 977	9 754	4 984	4 836	267 829
Guarantees	275 279	–	3 886	23	4 798	8 882
Contingent liabilities, committed facilities, other	2 054 230	8 977	5 868	4 961	38	258 947
Total gross credit and counterparty exposures pre collateral or other credit enhancements	15 417 394	66 675	300 208	5 102 605	326 569	9 816 897

* *A further analysis of our private banking loan book is provided on pages 62 and 63.*

Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
538 940	1 119 648	2 204 451	318 219	294 849	802 229	35 184 623
7 199	–	1 307 194	–	–	–	2 145 155
–	–	128 188	–	–	–	794 616
6 420	–	153 841	–	–	–	225 262
779	–	1 025 165	–	–	–	1 125 277
–	–	–	–	–	50 510	2 879 316
–	–	–	–	–	–	3 204 475
–	–	–	–	–	–	5 098 361
153 519	112 297	–	27 572	–	8 476	527 758
53 011	16 588	106 463	51 520	6 418	18 785	2 828 174
–	13 494	77 174	–	–	–	116 146
325 211	977 269	713 620	239 127	288 431	724 458	18 385 238
12 081	98 393	4 329	170 821	66 696	74 038	3 392 179
321	11 112	–	35 863	636	6 671	559 375
11 760	87 281	4 329	134 958	66 060	67 367	2 832 804
551 021	1 218 041	2 208 780	489 040	361 545	876 267	38 576 802
455 589	1 195 082	1 976 055	261 218	297 537	835 043	33 424 983
8 260	–	1 205 427	–	–	–	1 753 645
–	–	154 657	–	–	–	546 469
4 994	–	163 408	–	–	–	203 032
3 266	–	887 362	–	–	–	1 004 144
–	–	–	–	–	12 750	2 209 936
–	–	–	–	–	–	3 293 211
–	–	–	–	–	–	4 867 650
110 235	162 382	–	23 294	–	39 406	502 036
61 921	23 612	81 508	38 342	5 092	18 344	2 597 731
243	2 331	477	1 283	10	29	103 636
274 930	1 006 757	688 643	198 299	292 435	764 514	18 097 138
11 986	85 326	700	131 019	35 332	57 785	2 948 037
27	19 150	–	33 095	–	223	345 363
11 959	66 176	700	97 924	35 332	57 562	2 602 674
467 575	1 280 408	1 976 755	392 237	332 869	892 828	36 373 020

Risk management

Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 71.4% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A more detailed analysis of the Private Banking loan portfolio is provided on page 62 and 63. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A more detailed analysis of the Capital Markets loan portfolio is provided on page 62 and 63.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual Private Banking clients.

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
HNW and professional individuals	13 119 217	13 062 784	2 384 310	2 354 610	15 503 527	15 417 394
Agriculture	39 554	52 237	29 095	14 438	68 649	66 675
Electricity, gas and water (utility services)	308 197	249 493	131 143	50 715	439 340	300 208
Public and non-business services	172 813	229 864	5 120 358	4 872 741	5 293 171	5 102 605
Business service	305 867	222 797	100 239	103 772	406 106	326 569
Finance and insurance	1 171 474	1 054 385	9 989 841	8 762 512	11 161 315	9 816 897
Retailers and wholesalers	325 211	274 930	225 810	192 645	551 021	467 575
Manufacturing and commerce	977 269	1 006 757	240 772	273 651	1 218 041	1 280 408
Real estate	713 620	688 643	1 495 160	1 288 112	2 208 780	1 976 755
Mining and resources	239 127	198 299	249 913	193 938	489 040	392 237
Leisure, entertainment and tourism	288 431	292 435	73 114	40 434	361 545	332 869
Transport and communication	724 458	764 514	151 809	128 314	876 267	892 828
Total	18 385 238	18 097 138	20 191 564	18 275 882	38 576 802	36 373 020

An analysis of our core loans and advances, asset quality and impairments

In order to assess and analyse the credit risk associated with loans and advances we believe that certain adjustments should be made to "loans and advances to customers" as reflected on the IFRS consolidated balance sheet. We believe that these adjustments are necessary in order to derive a number that reflects actual core lending activities.

The following methodology has been applied:

- Warehouse facilities and structured credit investments arising out of our securitisation and principal finance activities have been deducted
- Loans and advances which have been originated by the group and securitised primarily to provide an alternative source of funding are added to loans and advances.

Calculation of core loans and advances to customers

£'000	30 Sept 2010	31 March 2010
Loans (pre-impairments) as per balance sheet	18 462 650	17 724 810
Less: warehouse facilities and structured credit investmens arising out of our Securitisation and Principal Finance activities, and other credit exposures (pre-impairments)	(1 201 489)	(800 389)
Add: own-originated securitised assets	1 124 077	1 172 717
Gross core loans and advances to customers (pre-impairments)	18 385 238	18 097 138

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

£'000	30 Sept 2010	31 March 2010
Gross core loans and advances to customers	18 385 238	18 097 138
Total impairments	(237 129)	(206 341)
Portfolio impairments	(73 722)	(48 942)
Specific impairments	(163 407)	(157 399)
Net core loans and advances to customers	18 148 109	17 890 797
Average gross core loans and advances to customers	18 241 188	17 245 171
Current loans and advances to customers	16 668 914	16 643 441
Total gross non-current loans and advances to customers	1 716 324	1 453 697
Past due loans and advances to customers (1 – 60 days)	495 115	381 539
Special mention loans and advances to customers	159 095	154 589
Default loans and advances to customers	1 062 114	917 569
Gross core loans and advances to customers	18 385 238	18 097 138
Total gross non-current core loans and advances to customers	1 716 324	1 453 697
Default loans that are current and not impaired	41 908	39 605
Gross core loans and advances to customers that are past due but not impaired	1 138 325	952 813
Gross core loans and advances to customers that are impaired	536 091	461 279
Total income statement charge for core loans and advances	(98 198)	(205 201)
Gross default loans and advances to customers	1 062 114	917 569
Specific impairments	(163 407)	(157 399)
Portfolio impairments	(73 722)	(48 942)
Defaults net of impairments	824 985	711 228
Collateral and other credit enhancements	1 111 667	947 192
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.29%	1.14%
Total impairments as a % of gross default loans	22.33%	22.49%
Gross defaults as a % of gross core loans and advances to customers	5.78%	5.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.55%	3.98%
Net defaults as a % of core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement charge as a % of average gross loans and advances)	1.02%	1.16%

Risk management

An analysis of core loans and advances to customers and asset quality by geography

£'000	UK and Europe		Southern Africa		Australia		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
Gross core loans and advances to customers	5 521 726	5 536 755	10 949 363	10 707 928	1 914 149	1 852 455	18 385 238	18 097 138
Total impairments	(115 411)	(99 974)	(93 267)	(70 452)	(28 451)	(35 915)	(237 129)	(206 341)
Portfolio impairments	(35 001)	(18 672)	(37 406)	(29 033)	(1 315)	(1 237)	(73 722)	(48 942)
Specific impairments	(80 410)	(81 302)	(55 861)	(41 419)	(27 136)	(34 678)	(163 407)	(157 399)
Net core loans and advances to customers	5 406 315	5 436 781	10 856 096	10 637 476	1 885 698	1 816 540	18 148 109	17 890 797
% of total	29.8%	30.4%	59.8%	59.4%	10.4%	10.2%	100.0%	100.0%
% change since 31 March 2010	(0.6%)		2.1%		3.8%		1.4%	
Average gross core loans and advances to customers	5 529 241	5 787 671	10 828 646	9 819 370	1 883 302	1 638 130	18 241 188	17 245 171
Current loans and advances to customers	4 835 175	5 002 250	10 200 863	10 053 663	1 632 876	1 587 528	16 668 914	16 643 441
Total gross non-current loans and advances to customers	686 551	534 505	748 500	654 265	281 273	264 927	1 716 324	1 453 697
Past due loans and advances to customers (1 – 60 days)	311 656	165 540	152 553	181 499	30 906	34 500	495 115	381 539
Special mention loans and advances to customers	32 004	97 344	97 179	49 193	29 912	8 052	159 095	154 589
Default loans and advances to customers	342 891	271 621	498 768	423 573	220 455	222 375	1 062 114	917 569
Gross core loans and advances to customers	5 521 726	5 536 755	10 949 363	10 707 928	1 914 149	1 852 455	18 385 238	18 097 138
Total gross non-current loans and advances to customers	686 551	534 505	748 500	654 265	281 273	264 927	1 716 324	1 453 697
Default loans that are current and not impaired	4 527	4 985	37 381	34 620	–	–	41 908	39 605
Gross core loans and advances to customers that are past due but not impaired	444 644	327 925	493 769	467 360	199 912	157 528	1 138 325	952 813
Gross core loans and advances to customers that are impaired	237 380	201 595	217 350	152 285	81 361	107 399	536 091	461 279
Total income statement charge for core loans and advances	(52 965)	(106 950)	(33 361)	(70 841)	(11 872)	(27 410)	(98 198)	(205 201)
Gross default loans and advances to customers	342 891	271 621	498 768	423 573	220 455	222 375	1 062 114	917 569
Specific impairments	(80 410)	(81 302)	(55 861)	(41 419)	(27 136)	(34 678)	(163 407)	(157 399)
Portfolio impairments	(35 001)	(18 672)	(37 406)	(29 033)	(1 315)	(1 237)	(73 722)	(48 942)
Defaults net of impairments	227 480	171 647	405 501	353 121	192 004	186 460	824 985	711 228
Collateral and other credit enhancements	258 138	192 490	627 154	541 548	226 375	213 154	1 111 667	947 192
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

Risk management

£'000	UK and Europe		Southern Africa		Australia		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
Total impairments as a % of gross core loans and advances to customers	2.09%	1.81%	0.85%	0.66%	1.49%	1.94%	1.29%	1.14%
Total impairments as a % of gross default loans	33.66%	36.81%	18.70%	16.63%	12.91%	16.15%	22.33%	22.49%
Gross defaults as a % of gross core loans and advances to customers	6.21%	4.91%	4.56%	3.96%	11.52%	12.00%	5.78%	5.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.21%	3.16%	3.74%	3.32%	10.18%	10.26%	4.55%	3.98%
Net defaults as a % of core loans and advances to customers	–	–	–	–	–	–	–	–
Annualised credit loss ratio (i.e income statement charge as a % of average gross loans and advances)	1.68%	1.72%	0.61%	0.71%	1.25%	1.67%	1.02%	1.16%

An analysis of core loans and advances to customers and asset quality by geography and division – As at 30 September 2010

£'000	Private Bank**			
	UK and Europe	Southern Africa	Australia	Total
Gross core loans and advances to customers	3 445 210	7 962 954	1 711 053	13 119 217
Total impairments	(81 721)	(57 459)	(23 757)	(162 937)
Portfolio impairments	(17 018)	(13 693)	(1 315)	(32 026)
Specific impairments	(64 703)	(43 766)	(22 442)	(130 911)
Net core loans and advances to customers	3 363 489	7 905 495	1 687 296	12 956 280
Average gross core loans and advances	3 546 409	7 849 058	1 695 534	13 091 001
Current loans and advances to customers	2 880 550	7 250 393	1 443 601	11 574 544
Total gross non current loans and advances to customers	564 660	712 561	267 452	1 544 673
Past due loans and advances to customers (1 – 60 days)	284 691	143 215	30 906	458 812
Special mention loans and advances to customers	22 324	87 812	28 068	138 204
Default loans and advances to customers	257 645	481 534	208 478	947 657
Gross core loans and advances to customers	3 445 210	7 962 954	1 711 053	13 119 217
Total gross non-current loans and advances to customers	564 660	712 561	267 452	1 544 673
Default loans that are current and not impaired	4 526	37 382	–	41 908
Gross core loans and advances to customers that are past due but not impaired	374 546	471 343	194 556	1 040 445
Gross core loans and advances to customers that are impaired	185 588	203 836	72 896	462 320
Total income statement charge for impairments on core loans	(32 313)	(28 076)	(11 873)	(72 262)
Gross default loans and advances to customers	257 645	481 534	208 478	947 657
Specific impairments	(64 703)	(43 766)	(22 442)	(130 911)
Portfolio impairments	(17 018)	(13 693)	(1 315)	(32 026)
Defaults net of impairments	175 924	424 075	184 721	784 720
Collateral and other credit enhancements	190 692	617 437	219 091	1 027 220
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	2.37%	0.72%	1.39%	1.24%
Total impairments as a % of gross default loans	31.72%	11.93%	11.40%	17.19%
Gross defaults as a % of gross core loans and advances to customers	7.48%	6.05%	12.18%	7.22%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.23%	5.36%	10.95%	6.06%
Net defaults as a % of core loans and advances to customers	–	–	–	–
Annualised credit loss ratio (i.e. income statement charge as a % of average gross loans and advances)	1.82%	0.72%	1.40%	1.10%

* *Largely includes lending activities within our Central Funding and International Trade Finance businesses.*

** *A further analysis of our Private Bank and Capital Markets loan portfolios, broken down by type of loan, is provided on pages 62 and 63.*

Capital Markets**				Other*				Total
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total	
1 915 011	2 600 626	201 317	4 716 954	161 505	385 783	1 779	549 067	18 385 238
(17 890)	(1 587)	(4 694)	(24 171)	(15 800)	(34 221)	–	(50 021)	(237 129)
(2 183)	(1 587)	–	(3 770)	(15 800)	(22 126)	–	(37 926)	(73 722)
(15 707)	–	(4 694)	(20 401)	–	(12 095)	–	(12 095)	(163 407)
1 897 121	2 599 039	196 623	4 692 783	145 705	351 562	1 779	499 046	18 148 109
1 846 255	2 596 457	186 005	4 628 716	136 577	383 131	1 764	521 472	18 241 188
1 793 488	2 590 210	187 496	4 571 194	161 138	360 259	1 779	523 176	16 668 914
121 523	10 416	13 821	145 760	367	25 524	–	25 891	1 716 324
26 598	–	–	26 598	367	9 338	–	9 705	495 115
9 680	6 696	1 843	18 219	–	2 672	–	2 672	159 095
85 245	3 720	11 978	100 943	–	13 514	–	13 514	1 062 114
1 915 011	2 600 626	201 317	4 716 954	161 505	385 783	1 779	549 067	18 385 238
121 523	10 416	13 821	145 760	367	25 524	–	25 891	1 716 324
–	–	–	–	–	–	–	–	41 908
69 731	10 416	5 356	85 503	367	12 010	–	12 377	1 138 325
51 792	–	8 465	60 257	–	13 514	–	13 514	536 091
(14 387)	(419)	–	(14 806)	(6 262)	(4 868)	–	(11 130)	(98 198)
85 245	3 720	11 978	100 943	–	13 514	–	13 514	1 062 114
(15 707)	–	(4 694)	(20 401)	–	(12 095)	–	(12 095)	(163 407)
(2 183)	(1 587)	–	(3 770)	(15 800)	(22 126)	–	(37 926)	(73 722)
67 355	2 133	7 284	76 772	(15 800)	(20 707)	–	(36 507)	824 985
67 446	3 720	7 284	78 450	–	5 997	–	5 997	1 111 667
–	–	–	–	–	–	–	–	–
0.93%	0.06%	2.33%	0.51%	9.78%	8.87%	–	9.11%	1.29%
20.99%	42.66%	39.19%	23.95%	–	253.23%	–	370.14%	22.33%
4.45%	0.14%	5.95%	2.14%	–	3.50%	–	2.46%	5.78%
3.55%	0.08%	3.70%	1.64%	–	–	–	–	4.55%
–	–	–	–	–	–	–	–	–
1.13%	0.03%	–	0.53%	9.17%	2.54%	–	4.27%	1.02%

Risk management

An analysis of core loans and advances to customers and asset quality by geography and division – As at 31 March 2010

£'000	Private Bank**			
	UK and Europe	Southern Africa	Australia	Total
Gross core loans and advances to customers	3 647 608	7 735 161	1 680 015	13 062 784
Total impairments	(62 621)	(37 586)	(31 048)	(131 255)
Portfolio impairments	(4 458)	(10 193)	(1 237)	(15 888)
Specific impairments	(58 163)	(27 393)	(29 811)	(115 367)
Net core loans and advances to customers	3 584 987	7 697 575	1 648 967	12 931 529
Average gross core loans and advances	3 665 185	6 982 042	1 466 415	12 113 642
Current loans and advances to customers	3 205 251	7 127 430	1 426 910	11 759 591
Total gross non current loans and advances to customers	442 357	607 731	253 105	1 303 193
Past due loans and advances to customers (1 – 60 days)	146 705	159 918	34 500	341 123
Special mention loans and advances to customers	90 294	48 794	8 052	147 140
Default loans and advances to customers	205 358	399 019	210 553	814 930
Gross core loans and advances to customers	3 647 608	7 735 161	1 680 015	13 062 784
Total gross non-current loans and advances to customers	442 357	607 731	253 105	1 303 193
Default loans that are current and not impaired	4 985	34 620	–	39 605
Gross core loans and advances to customers that are past due but not impaired	277 180	438 990	155 275	871 445
Gross core loans and advances to customers that are impaired	160 192	134 121	97 830	392 143
Total income statement charge for impairments on core loans	(55 433)	(40 626)	(19 136)	(115 195)
Gross default loans and advances to customers	205 358	399 019	210 553	814 930
Specific impairments	(58 163)	(27 393)	(29 811)	(115 367)
Portfolio impairments	(4 458)	(10 193)	(1 237)	(15 888)
Defaults net of impairments	142 737	361 433	179 505	683 675
Collateral and other credit enhancements	148 861	521 227	206 198	876 286
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	1.72%	0.49%	1.85%	1.00%
Total impairments as a % of gross default loans	30.49%	9.42%	14.75%	16.11%
Gross defaults as a % of gross core loans and advances to customers	5.63%	5.16%	12.53%	6.24%
Gross defaults (net of impairments) as a % of net core loans and advances to customers	3.98%	4.70%	10.89%	5.29%
Net defaults as a % of core loans and advances to customers	–	–	–	–
Annualised credit loss ratio (i.e. income statement charge as a % of average gross loans and advances)	1.51%	0.58%	1.30%	0.95%

* *Largely includes lending activities within our Central Funding and International Trade Finance businesses.*

** *A further analysis of our Private Bank and Capital Markets loan portfolios, broken down by type of loan, is provided on pages 111 and 123.*

Capital Markets**				Other*				Total
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total	
1 777 498	2 592 288	170 692	4 540 478	111 649	380 478	1 749	493 876	18 097 138
(24 853)	(1 459)	(4 867)	(31 179)	(12 500)	(31 407)	–	(43 907)	(206 341)
(1 714)	(1 444)	–	(3 158)	(12 500)	(17 396)	–	(29 896)	(48 942)
(23 139)	(15)	(4 867)	(28 021)	–	(14 011)	–	(14 011)	(157 399)
1 752 645	2 590 829	165 825	4 509 299	99 149	349 071	1 749	449 969	17 890 797
2 028 407	2 505 170	170 220	4 703 797	94 079	332 158	1 496	427 733	17 245 171
1 685 350	2 571 935	158 869	4 416 154	111 649	354 298	1 749	467 696	16 643 441
92 148	20 353	11 823	124 324	–	26 180	–	26 180	1 453 697
18 835	13 963	–	32 798	–	7 618	–	7 618	381 539
7 050	–	–	7 050	–	399	–	399	154 589
66 263	6 390	11 823	84 476	–	18 163	–	18 163	917 569
1 777 498	2 592 288	170 692	4 540 478	111 649	380 478	1 749	493 876	18 097 138
92 148	20 353	11 823	124 324	–	26 180	–	26 180	1 453 697
–	–	–	–	–	–	–	–	39 605
50 744	20 353	2 254	73 351	–	8 017	–	8 017	952 813
41 404	–	9 569	50 973	–	18 163	–	18 163	461 279
(39 210)	(9 184)	(8 274)	(56 668)	(12 500)	(20 838)	–	(33 338)	(205 201)
66 263	6 390	11 823	84 476	–	18 163	–	18 163	917 569
(23 139)	(15)	(4 867)	(28 021)	–	(14 011)	–	(14 011)	(157 399)
(1 714)	(1 444)	–	(3 158)	(12 500)	(17 396)	–	(29 896)	(48 942)
41 410	4 931	6 956	53 297	(12 500)	(13 244)	–	(25 744)	711 228
43 629	14 012	6 956	64 597	–	6 309	–	6 309	947 192
–	–	–	–	–	–	–	–	–
1.40%	0.06%	2.85%	0.69%	11.20%	8.25%	–	8.89%	1.14%
37.51%	22.83%	41.17%	36.91%	–	172.92%	–	241.74%	22.49%
3.73%	0.25%	6.93%	1.86%	–	4.77%	–	3.68%	5.07%
2.36%	0.19%	4.19%	1.18%	–	–	–	–	3.98%
–	–	–	–	–	–	–	–	–
1.65%	0.36%	4.86%	1.20%	13.29%	6.33%	–	7.84%	1.16%

Risk management

An age analysis of gross non-current core loans and advances to customers

£'000	30 Sept 2010	31 March 2010
Default loans that are current	75 033	67 891
1 – 60 days	524 944	422 486
61 – 90 days	116 925	148 259
91 – 180 days	422 501	260 253
181 – 365 days	157 316	209 382
>365 days	419 605	345 426
Total gross non-current loans and advances to customers (actual capital exposure)	1 716 324	1 453 697
1 – 60 days	77 646	54 035
61 – 90 days	14 861	21 204
91 – 180 days	126 143	81 436
181 – 365 days	128 346	163 005
>365 days	316 314	250 001
Total gross non-current loans and advances to customers (actual amount in arrears)	663 310	569 681

A further age analysis of gross non-current core loans and advances to customers

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 30 September 2010							
Default loans that are current							
Total capital exposure	41 908	–	–	–	–	–	41 908
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	517 255	114 588	245 388	95 362	165 732	1 138 325
Amount in arrears	–	72 753	14 576	95 088	75 216	137 931	395 564
Gross core loans and advances to customers that are impaired							
Total capital exposure	33 125	7 689	2 337	177 113	61 954	253 873	536 091
Amount in arrears	–	4 893	285	31 055	53 130	178 383	267 746
As at 31 March 2010							
Default loans that are current							
Total capital exposure	39 605	–	–	–	–	–	39 605
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	406 191	145 236	128 620	128 755	144 011	952 813
Amount in arrears	–	41 035	20 265	69 099	102 290	122 498	355 187
Gross core loans and advances to customers that are impaired							
Total capital exposure	28 286	16 295	3 023	131 633	80 627	201 415	461 279
Amount in arrears	–	13 000	939	12 337	60 715	127 503	214 494

An age analysis of gross non-current core loans and advances to customers as at 30 September 2010 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	495 115	–	–	–	–	495 115
Special mention	–	19 882	112 461	5 406	13 138	8 208	159 095
Special mention (1 – 90 days)	–	19 882	21 352	5 406*	13 138*	8 208*	67 986
Special mention (61 – 90 days and item well secured)	–	–	91 109	–	–	–	91 109
Default	75 033	9 947	4 464	417 095	144 178	411 397	1 062 114
Sub-standard	45 334	946	2 916	279 580	71 013	185 367	585 156
Doubtful	28 735	9 001	1 548	58 677	72 487	219 341	389 789
Loss	964	–	–	78 838	678	6 689	87 169
Total	75 033	524 944	116 925	422 501	157 316	419 605	1 716 324

An age analysis of gross non-current core loans and advances to customers as at 30 September 2010 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	58 973	–	–	–	–	58 973
Special mention	–	13 749	13 516	3 737	12 147	2 272	45 421
Special mention (1 – 90 days)	–	13 749	609	3 737*	12 147*	2 272*	32 514
Special mention (61 – 90 days and item well secured)	–	–	12 907	–	–	–	12 907
Default	–	4 924	1 345	122 406	116 199	314 042	558 916
Sub-standard	–	53	1 065	100 149	59 511	119 503	280 281
Doubtful	–	4 871	280	22 257	56 688	194 539	278 635
Loss	–	–	–	–	–	–	–
Total	–	77 646	14 861	126 143	128 346	316 314	663 310

* *Relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	381 539	–	–	–	–	381 539
Special mention	–	10 853	132 328	1 480	9 075	853	154 589
Special mention (1 – 90 days)	–	10 853	7 783	1 480*	9 075*	853*	30 044
Special mention (61 – 90 days and item well secured)	–	–	124 545	–	–	–	124 545
Default	67 891	30 094	15 931	258 773	200 307	344 573	917 569
Sub-standard	42 428	13 832	7 597	138 213	103 304	171 222	476 596
Doubtful	24 921	16 262	8 334	64 101	96 107	172 995	382 720
Loss	542	–	–	56 459	896	356	58 253
Total	67 891	422 486	148 259	260 253	209 382	345 426	1 453 697

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	37 283	–	–	–	–	37 283
Special mention	–	1 583	12 996	638	1 286	301	16 804
Special mention (1 – 90 days)	–	1 583	5 466	638*	1 286*	301*	9 274
Special mention (61 – 90 days and item well secured)	–	–	7 530	–	–	–	7 530
Default	–	15 169	8 208	80 798	161 719	249 700	515 594
Sub-standard	–	2 200	1 275	48 314	89 624	112 592	254 005
Doubtful	–	12 969	6 933	32 440	72 095	137 108	261 545
Loss	–	–	–	44	–	–	44
Total	–	54 035	21 204	81 436	163 005	250 001	569 681

* *Relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

£'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 30 September 2010								
Current core loans and advances	16 668 914	–	–	16 668 914	–	(52 928)	16 615 986	–
Past due (1 – 60 days)	–	495 115	–	495 115	–	(866)	494 249	58 973
Special mention	–	159 095	–	159 095	–	(738)	158 357	45 421
Special mention (1 – 90 days)	–	67 986	–	67 986	–	(493)	67 493	32 514
Special mention (61 – 90 days and item well secured)	–	91 109	–	91 109	–	(245)	90 864	12 907
Default	41 908	484 115	536 091	1 062 114	(163 407)	(19 190)	879 517	558 916
Sub-standard	38 582	445 301	101 273	585 156	(23 136)	(2 183)	559 837	280 281
Doubtful	2 918	38 814	348 057	389 789	(97 698)	–	292 091	278 635
Loss	408	–	86 761	87 169	(42 573)	(17 007)	27 589	–
Total	16 710 822	1 138 325	536 091	18 385 238	(163 407)	(73 722)	18 148 109	663 310
As at 31 March 2010								
Current core loans and advances	16 643 441	–	–	16 643 441	–	(44 513)	16 598 928	–
Past due (1 – 60 days)	–	381 539	–	381 539	–	(592)	380 947	37 283
Special mention	–	154 589	–	154 589	–	(597)	153 992	16 804
Special mention (1 – 90 days)	–	30 044	–	30 044	–	(584)	29 460	9 274
Special mention (61 – 90 days and item well secured)	–	124 545	–	124 545	–	(13)	124 532	7 530
Default	39 605	416 685	461 279	917 569	(157 399)	(3 240)	756 930	515 594
Sub-standard	36 185	353 307	87 104	476 596	(23 546)	(2 003)	451 047	254 005
Doubtful	3 420	61 296	318 004	382 720	(108 100)	(1 237)	273 383	261 545
Loss	–	2 082	56 171	58 253	(25 753)	–	32 500	44
Total	16 683 046	952 813	461 279	18 097 138	(157 399)	(48 942)	17 890 797	569 681

An analysis of core loans and advances to customers and impairments by counterparty type

£'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)	Special mention (61 – 90 days and item well secured)
As at 30 September 2010				
Private Banking professional and HNW individuals	11 568 896	458 812	67 986	72 061
Corporate sector	3 559 693	26 598	–	16 376
Banking, insurance, financial services (excluding sovereign)	1 171 145	–	–	–
Public and government sector (including central banks)	172 137	–	–	–
Trade finance	197 043	9 705	–	2 672
Total gross core loans and advances to customers	16 668 914	495 115	67 986	91 109
As at 31 March 2010				
Private Banking professional and HNW individuals	11 759 592	341 123	30 044	117 096
Corporate sector	3 416 036	32 799	–	7 050
Banking, insurance, financial services (excluding sovereign)	1 053 765	–	–	–
Public and government sector (including central banks)	229 071	–	–	–
Trade finance	184 977	7 617	–	399
Total gross core loans and advances to customers	16 643 441	381 539	30 044	124 545

Summary analysis of gross core loans and advances to customers by counterparty type

£'000	30 Sept 2010	31 March 2010
Private Banking professional and HNW individuals	13 119 217	13 062 784
Corporate sector	3 705 964	3 546 252
Banking, insurance, financial services (excluding sovereign)	1 171 474	1 054 385
Public and government sector (including central banks)	172 813	229 864
Trade finance	215 770	203 853
Total gross core loans and advances to customers	18 385 238	18 097 138

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
530 206	341 454	79 802	13 119 217	(32 034)	(131 173)	(163 207)
54 708	41 222	7 367	3 705 964	(25 351)	(26 599)	(51 950)
–	329	–	1 171 474	(16 337)	(224)	(16 561)
–	676	–	172 813	–	(481)	(481)
242	6 108	–	215 770	–	(4 930)	(4 930)
585 156	389 789	87 169	18 385 238	(73 722)	(163 407)	(237 129)
433 110	323 566	58 253	13 062 784	(15 888)	(115 368)	(131 256)
43 139	47 228	–	3 546 252	(20 025)	(34 264)	(54 289)
–	620	–	1 054 385	(13 029)	(507)	(13 536)
–	793	–	229 864	–	(553)	(553)
347	10 513	–	203 853	–	(6 707)	(6 707)
476 596	382 720	58 253	18 097 138	(48 942)	(157 399)	(206 341)

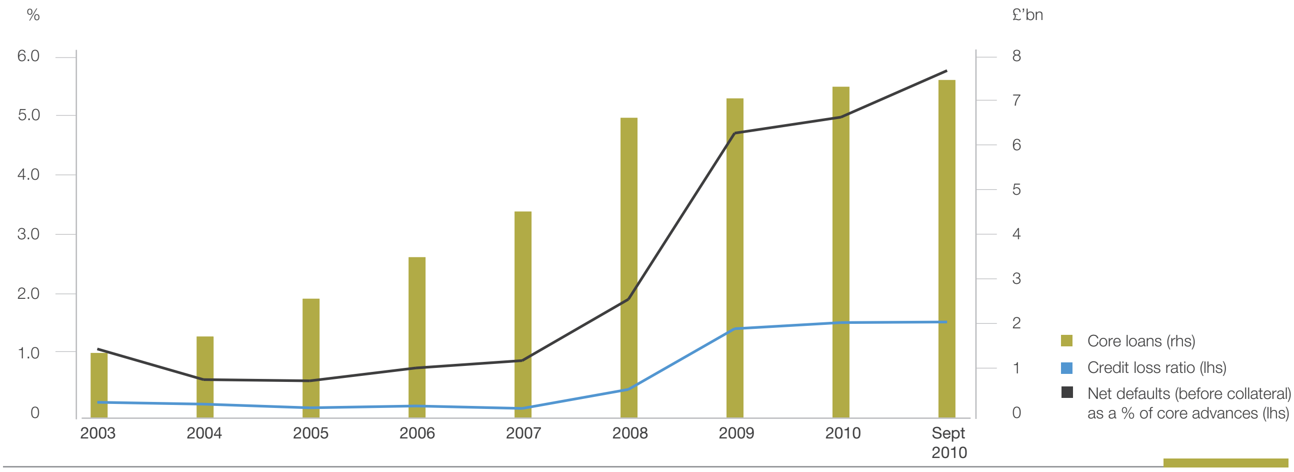
Risk management

An analysis of default core loans and advances as at 30 September 2010

£'million	UK and Europe				Southern Africa			
	Gross core loans	Gross defaults	Collateral against defaults	Impairments	Gross core loans	Gross defaults	Collateral against defaults	Impairments
Private Bank								
Residential property investment	510	1	1	–	218	13	15	–
Residential mortgages – owner occupied	178	–	–	–	2 548	77	102	(8)
Residential development	744	135	110	(51)	105	13	17	(2)
Residential estates	–	–	–	–	332	154	202	(11)
Commercial property investment	1 080	20	16	(4)	3 114	110	147	(12)
Commercial land	109	44	36	(16)	274	26	35	(2)
Commercial development	313	42	28	(6)	193	16	19	(1)
Cash and securities backed lending	173	–	–	–	385	11	14	(1)
Asset backed lending	177	2	–	(1)	367	26	30	(14)
Unlisted securities and general corporate lending	103	–	–	–	303	32	36	(3)
Unsecured lending	58	14	–	(4)	124	4	–	(3)
Total Private Bank	3 445	258	191	(82)	7 963	482	617	(57)
Capital Markets								
Preference shares	–	–	–	–	747	–	–	–
Acquisition finance	702	19	18	(2)	320	–	–	(1)
Small ticket asset finance	321	18	6	(12)	–	–	–	–
Principal finance	451	35	32	(3)	–	–	–	–
Project finance	218	–	–	–	183	–	–	–
Structured finance	156	13	11	(1)	1 264	4	4	(1)
Resource finance and commodities	67	–	–	–	87	–	–	–
Total Capital Markets	1 915	85	67	(18)	2 601	4	4	(2)
Other*	162	–	–	(16)	386	13	6	(34)
Total group	5 522	343	258	(116)	10 950	499	627	(93)

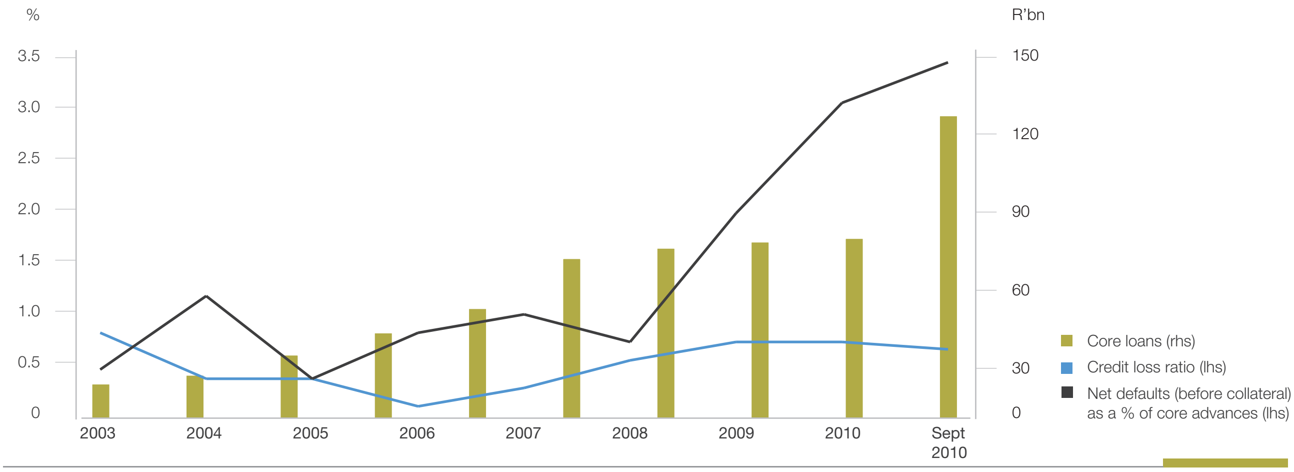
* *Largely includes lending activities within our Central Funding and International Trade Finance businesses.*

UK, Europe and Australia



Australia				Total			
Gross core loans	Gross defaults	Collateral against defaults	Impairments	Gross core loans	Gross defaults	Collateral	Impairments
126	2	–	–	854	16	16	–
50	–	–	–	2 776	77	102	(8)
–	–	–	–	849	148	127	(53)
181	95	81	(20)	513	249	283	(31)
502	41	65	(1)	4 696	171	228	(17)
17	17	16	(2)	400	87	87	(20)
70	41	48	–	576	99	95	(7)
25	–	–	–	583	11	14	(1)
579	5	5	(1)	1 123	33	35	(16)
111	7	4	–	517	39	40	(3)
50	–	–	–	232	18	–	(7)
1 711	208	219	(24)	13 119	948	1 027	(163)
–	–	–	–	747	–	–	–
–	–	–	–	1 022	19	18	(3)
–	–	–	–	321	18	6	(12)
90	4	4	–	541	39	36	(3)
62	–	–	–	463	–	–	–
9	–	–	–	1 429	17	15	(2)
40	8	3	(4)	194	8	3	(4)
201	12	7	(4)	4 717	101	78	(24)
1	–	–	–	549	13	6	(50)
1 913	220	226	(28)	18 385	1 062	1 111	(237)

Southern Africa



Risk management

Collateral

The following disclosure is made with respect to Basel II requirements and definitions.

£'000	Collateral held against		Total
	Gross core loans and advances	Other credit and counterparty exposures*	
As at 30 September 2010			
Eligible financial collateral	2 094 616	505 856	2 600 472
Listed	1 570 889	199 007	1 769 896
Cash	506 794	306 849	813 643
Debt securities issued by sovereigns	16 933	–	16 933
Mortgage bonds	19 432 639	227 828	19 660 467
Residential mortgages	5 916 667	12 476	5 929 143
Residential development	1 332 967	34 770	1 367 737
Commercial property developments	788 396	26 394	814 790
Commercial property investments	11 394 609	154 188	11 548 797
Other collateral	7 882 335	296 355	8 178 690
Unlisted shares	530 247	8 147	538 394
Bonds other than mortgage bonds	857 718	273 312	1 131 030
Asset backed lending	3 966 131	–	3 966 131
Guarantees	1 191 853	14 896	1 206 749
Credit derivatives	13 055	–	13 055
Other	1 323 331	–	1 323 331
Total collateral	29 409 590	1 030 039	30 439 629
Suretyships	17 703	–	17 703
Collateral including suretyships	29 427 293	1 030 039	30 457 332
As at 31 March 2010			
Eligible financial collateral	2 209 629	392 004	2 601 633
Listed	1 856 743	117 650	1 974 393
Cash	350 890	274 354	625 244
Debt securities issued by sovereigns	1 996	–	1 996
Mortgage bonds	19 662 459	24 273	19 686 732
Residential mortgages	5 566 966	789	5 567 755
Residential development	1 602 255	15 580	1 617 835
Commercial property developments	907 964	7 839	915 803
Commercial property investments	11 585 274	65	11 585 339
Other collateral	6 638 092	349 905	6 987 997
Unlisted shares	462 539	4 111	466 650
Bonds other than mortgage bonds	845 998	287 931	1 133 929
Asset backed lending	3 432 241	5 773	3 438 014
Guarantees	1 049 564	7 202	1 056 766
Credit derivatives	–	–	–
Other	847 750	44 888	892 638
Total collateral	28 510 180	766 182	29 276 362
Suretyships	4 119	–	4 119
Collateral including suretyships	28 514 299	766 182	29 280 481

* *A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- Investment Banking Principal Investments (Private Equity and Direct Investments): Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio of assets. These investment positions are carefully researched with the intent to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black owned and controlled companies
- Lending transactions (within the Private Banking and Capital Markets divisions): The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Property Activities: We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- Central Funding: In South Africa the Central Funding division is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

Risk management

The table below provides an analysis of income and revaluations recorded with respect to these investments.

£'000 Country/category	Income (pre funding costs)				Fair value through equity
	Unrealised	Realised	Dividends, net interest and other	Total	
Six months to 30 September 2010					
Unlisted investments	54 440	20 814	(98)	75 352	(938)
UK and Europe	7 890	10 133	(6 105)	11 918	23
South Africa	46 550	7 735	6 158	60 443	–
Australia	–	2 946	45	2 991	(961)
Listed equities	3 693	4 976	(5 998)	2 671	(724)
UK and Europe	3 759	(1)	(6 076)	(2 318)	48
South Africa	(66)	1 669	(20)	1 583	63
Australia	–	3 308	98	3 406	(835)
Investment and trading properties	18 157	(60)	19	18 116	–
UK and Europe	8	(60)	93	41	–
South Africa	18 149	–	(74)	18 075	–
Warrants, profit shares and other embedded derivatives	(3 341)	10 981	(2 948)	4 692	–
UK and Europe	565	159	(2 948)	(2 224)	–
South Africa	(3 906)	10 822	–	6 916	–
Australia	–	–	–	–	–
Total	72 949	36 711	(8 829)	100 831	(1 662)
Year ended 31 March 2010					
Unlisted investments	21 442	34 088	16 664	72 194	(929)
UK and Europe	(1 177)	9 911	(1 278)	7 456	(1 689)
South Africa	22 619	22 036	17 182	61 837	–
Australia	–	2 141	760	2 901	760
Listed equities	16 125	18 621	(15 359)	19 387	3 673
UK and Europe	2 705	9 919	(15 487)	(2 863)	(84)
South Africa	13 420	6 377	94	19 891	62
Australia	–	2 325	34	2 359	3 695
Investment and trading properties	36 102	65	(16)	36 151	4
UK and Europe	–	65	171	236	4
South Africa	36 102	–	(187)	35 915	–
Warrants, profit shares and other embedded derivatives	17 211	19 199	(1 475)	34 935	–
UK and Europe	980	14 409	(1 744)	13 645	–
South Africa	16 578	4 790	270	21 638	–
Australia	(367)	–	(1)	(348)	–
Total	90 880	71 973	(186)	162 667	2 748

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from capital within Investec Limited and included in Tier 2 capital within Investec plc.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

£'000 Country/category	On-balance sheet value of investments 30 Sept 2010	Valuation change stress test 30 Sept 2010	On-balance sheet value of investments 31 March 2010	Valuation change stress test* 31 March 2010
Unlisted investments	797 880	119 682	677 742	101 661
UK and Europe*	159 401	23 910	135 356	20 303
South Africa	629 208	94 381	530 129	79 519
Australia	9 271	1 391	12 257	1 839
Listed equities	94 933	23 733	97 912	24 478
UK and Europe*	30 451	7 613	16 472	4 118
South Africa	62 797	15 699	73 356	18 339
Australia	1 685	421	8 084	2 021
Investment and trading properties	480 395	52 582	437 167	50 228
UK and Europe	10 324	2 065	10 810	2 162
South Africa	470 071	50 517	426 357	48 066
Warrants, profit shares and other embedded derivatives	77 764	27 207	91 559	32 045
UK and Europe	31 799	11 119	34 150	11 952
South Africa	45 965	16 088	57 409	20 093
Total	1 450 972	223 204	1 304 380	208 412

* *Includes investments held within the Private Equity division which are required to be consolidated for accounting purposes.*

In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:

Stress test values applied

Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information above we could have a £223 million reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity risk" and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 87 for further detail.

Securitisation/principal finance activities and exposures

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been significantly curtailed given the current economic climate.

UK and Europe

The Principal Finance business focuses on securitisation of our assets, predominantly residential and commercial mortgages. We also undertake trading and investment in structured credit investments where we have invested in rated and unrated debt instruments largely within the UK and Europe and to a lesser extent in the US.

We retain residual net exposures amounting to £604 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on pages 125 and 128.

South Africa

In South Africa, our securitisation business, which forms part of our Structured Finance unit, was established approximately nine years ago when the debt capital markets commenced development. Over this time, we have arranged a number of corporate bond and commercial paper programmes and third party securitisations.

We have also assisted in the development of select securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to these intermediaries.

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R1.8 billion as at 30 September 2010 (31 March 2010: R2.4 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to pages 69 and 70). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and invested in structured credit investments. These have largely been investments in rated instruments within the UK and Europe.

In addition, we have own originated, securitised assets in our Private Banking business in South Africa. The primary motivations for the securitisation of assets within our Private Banking division are to:
- Provide an alternative source of funding
- Provide a source of revenue
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Bank amount to R6.9 billion (March 2010: R7.2 billion) and include auto loans (R0.9 billion), residential mortgages (R4.9 billion) and commercial mortgages (R1.1 billion).These securitisation structures have all been rated by Moody's.

Australia

Investec Bank (Australia) Limited acquired Experien in October 2007. As is the case in the South African Private Banking division assets originated by the business have been securitised. These amount to A$807 million (31 March 2010: A$860 million) and include leases and instalment debtors (A$514 million), residential mortgages (A$33 million), commercial mortgages (A$149 million) and other loans, for example overdrafts (A$111 million).These securitisation structures have all been rated by Standard and Poor's.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/principal finance activities reflect only those exposures to which we consider ourselves to be at risk notwithstanding accounting conventions. In addition, assets that have been securitised by our Private Banking division are reflected as part of our core lending exposures and not our securitisation/principal finance exposures as we believe this reflects the true nature and intent of these exposures and activities.

Nature of exposure/ activity	Exposure as at 30 Sept 2010 £'mn	Exposure as at 31 March 2010 £'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	1 364	944	On-balance sheet securitisation/ principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	795	546			
Unrated	113	50			
Other	456	348			
Kensington – mortgage assets: Net exposures (after impairments) to the securitised book (i.e. those assets have been securitised)	91	104	On-balance sheet securitisation/ principal finance exposure. Classified as 'unrated'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under 'no credit exposures'.	Refer to pages 125 and 128	Risk-weighted or supervisory deductions against primary and secondary capital.
Kensington – mortgage assets: Net exposures (after impairments) to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation)	513	486	On-balance sheet securitisation/ principal finance exposure. Classified as 'other'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are legally at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to pages 125 to 128	Risk-weighted
South Africa – warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	82	98	On-balance sheet securitisation/ principal finance.	The total exposure of £82 million is net of impairments of £8.6 million.	Risk-weighted depending on rating of counterparty.
Private Banking division assets which have been securitised	1 124	1 172	On-balance sheet exposure – reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 49.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	167	219	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

Risk management

*Analysis of structured credit investments

£'million	Rated**	Unrated	Other	Total
US sub-prime	–	–	–	–
US corporate loans	29	5	–	34
US ABS	4	–	–	4
European ABS	3	7	–	10
European RMBS	580	66	444	1 090
European CMBS	87	–	–	87
European credit cards	26	–	–	26
European corporate loans	–	35	–	35
South African RMBS	2	–	–	2
South African CMBS	7	–	–	7
Australian RMBS	57	–	–	57
Other (credit default swaps)			12	12
Total	795	113	456	1 364

**Further analysis of rated structured credit investments

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US sub-prime	–	–	–	–	–	–	–	–
US corporate loans	–	–	–	–	9	5	15	29
US ABS	–	–	–	–	–	–	4	4
European ABS	–	–	–	3	–	–	–	3
European RMBS	111	77	34	271	50	1	36	580
European CMBS	3	17	36	18	8	–	5	87
European credit cards	9	3	2	–	12	–	–	26
European corporate loans	–	–	–	–	–	–	–	–
South African RMBS	1	1	–	–	–	–	–	2
South African CMBS	–	7	–	–	–	–	–	7
Australian RMBS	25	4	12	16	–	–	–	57
Total	149	109	84	308	79	6	60	795

Traded market risk management

Traded market risk description

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The market risk management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel II and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global Market Risk Forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed either annually, in the event of a significant market event (e.g. 11 September 2001), or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk.

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least "risky" instruments being assigned the largest limits.

The market risk teams perform a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), stressed VaR, Expected Tail Loss (ETL) and Extreme Value Theory (EVT). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to Executive Risk Review Forum (ERRF).

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the actual trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a "back testing breach" is considered to have occurred.

In South Africa, we have Internal Model Approval and so trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis. In the UK, all desks are currently on Capital Adequacy (CAD) 1 level.

Risk management

VaR

	UK and Europe 95% (one–day)			
	Period end £'000	Average £'000	High £'000	Low £'000
30 September 2010				
Commodities	16	22	30	14
Equity derivatives	1 693	1 635	2 329	711
Foreign exchange	54	33	100	5
Interest rates	497	466	789	368
Consolidated	1 723	1 737	2 285	984
31 March 2010				
Commodities	27	28	91	19
Equity derivatives	1 798	1 450	2 333	683
Foreign exchange	16	29	162	4
Interest rates	501	593	1 474	101
Consolidated	1 791	1 607	2 598	995

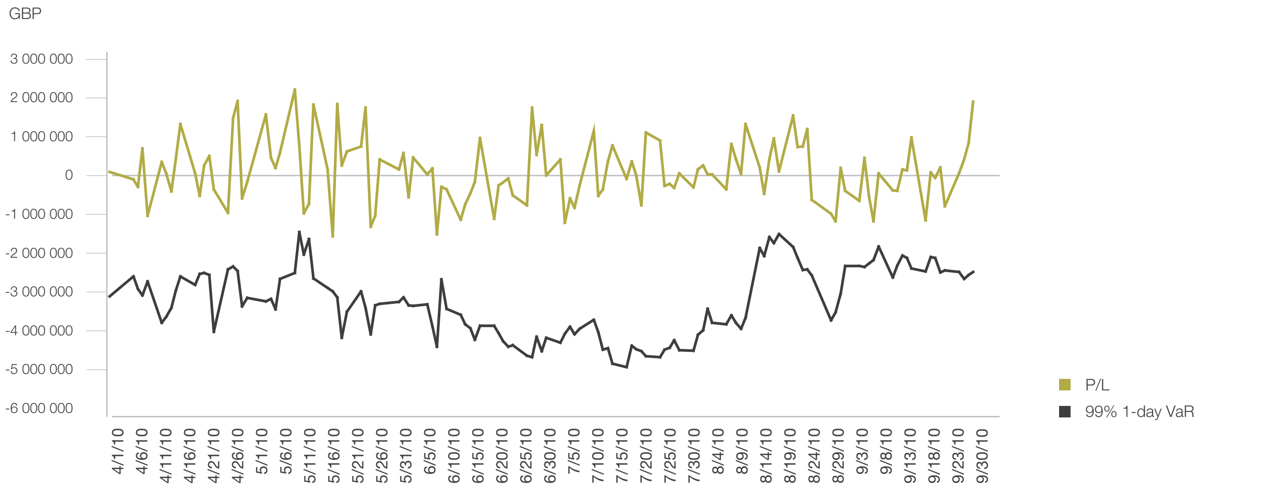
The consolidated VaR for each desk and each entity at the period is lower than the sum of the individual VaR's. This arises from the correlation offset between various asset classes.

The graphs below show total daily VaR and profit and loss figures for our trading activities over the reporting period. The values shown are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

UK and Europe

There have been no exceptions i.e. where the losses were greater than the 99% 1-day VaR over the period ending 30 September 2010. This is less than expected and indicative of the low limit utilisation and low client flow experienced in the trading area.

99% 1-day VaR backtesting

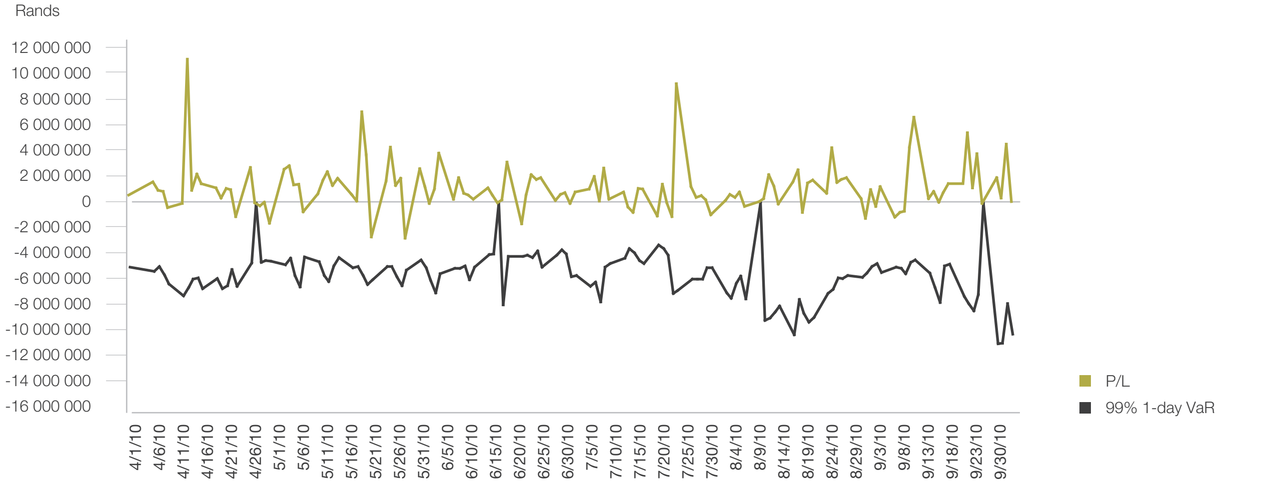


South Africa 95% (one–day)				Australia 95% (one–day)			
Period end R'mn	Average R'mn	High R'mn	Low R'mn	Period end A$'000	Average A$'000	High A$'000	Low A$'000
0.1	0.1	0.3	–	–	–	–	–
1.0	2.0	5.2	0.6	–	–	–	–
1.8	2.3	5.7	1.1	2	14	78	2
4.1	2.1	4.1	1.1	89	88	198	16
4.9	4.1	7.5	2.7	90	91	202	15
0.1	0.1	0.6	–	–	–	–	–
1.1	2.9	18.2	0.6	–	–	–	–
2.4	2.4	7.1	1.2	9	11	69	1
1.3	2.0	6.5	0.9	146	130	205	53
3.6	4.5	16.9	2.3	154	141	230	69

South Africa

There have been no exceptions i.e. where the losses were greater than the 99% 1-day VaR over the period ending 30 September 2010. This is less than expected and indicative of the low limit utilisation and low client flow experienced in the trading area.

99% 1-day VaR backtesting

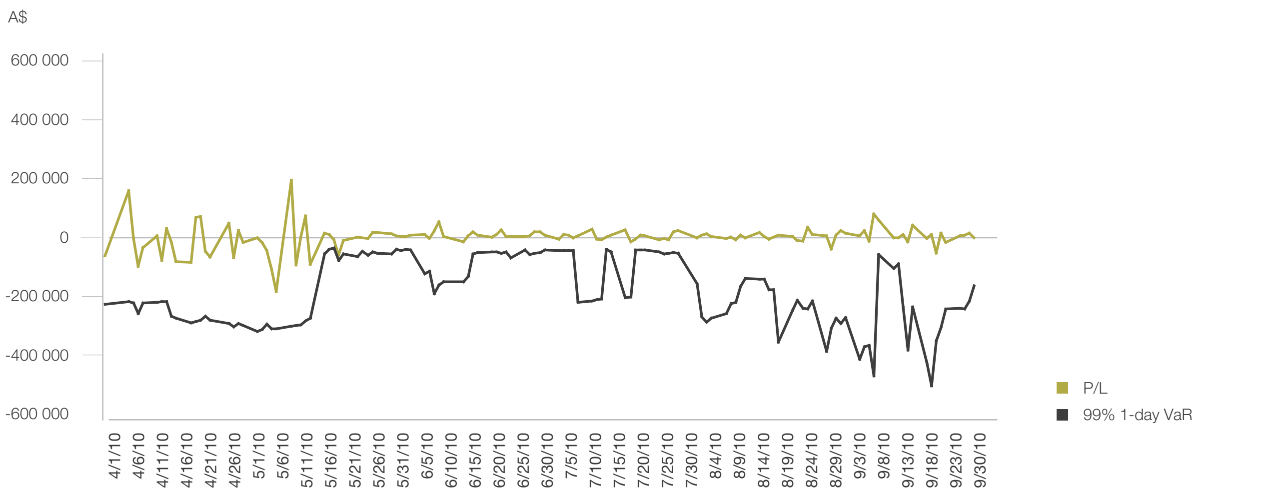


Risk management

Australia

There have been no exceptions i.e. where the losses were greater than the 99% 1-day VaR over the period ending 30 September 2010. This is less than expected and indicative of the low limit utilisation and low client flow experienced in the trading area.

99% 1-day VaR backtesting



ETL

	UK and Europe 95% (one-day) £'000	Australia 95% (one-day) A$'000	South Africa 95% (one-day) R'mn
30 September 2010			
Commodities	26	–	0.1
Equity derivatives	2 534	–	4.4
Foreign exchange	68	3	3.3
Interest rates	795	182	7.4
Consolidated*	2 663	183	8.3
31 March 2010			
Commodities	43	n/a	0.1
Equity derivatives	2 648	n/a	1.8
Foreign exchange	24	n/a	4.0
Interest rates	783	n/a	2.4
Consolidated*	2 663	n/a	5.0

* *The consolidated ETL for each desk and each entity is lower than the sum of the individual ETL's. This arises from the correlation offset between various asset classes.*

Stress testing

The table below shows the results of fitting Extreme Value Distributions to the tail of our historical profit and loss distribution that is used to calculate VaR. This methodology will estimate how the tail of the distribution should look, hence to a degree allows for "fat tails" and indicates a more realistic idea of the risk given an extreme event.

	UK and Europe Using 99% EVT £'000	Australia Using 99% EVT A$'000	South Africa Using 99% EVT R'mn
30 September 2010			
Commodities	53	–	0.4
Equity derivatives	6 672	–	54.0
Foreign exchange	123	4	10.6
Interest rates	2 311	1 138	20.1
Consolidated*	6 068	1 177	22.4
31 March 2010			
Commodities	207	–	0.6
Equity derivatives	13 760	–	8.6
Foreign exchange	122	50	18.4
Interest rates	3 834	846	10.3
Consolidated*	17 923	896	37.9

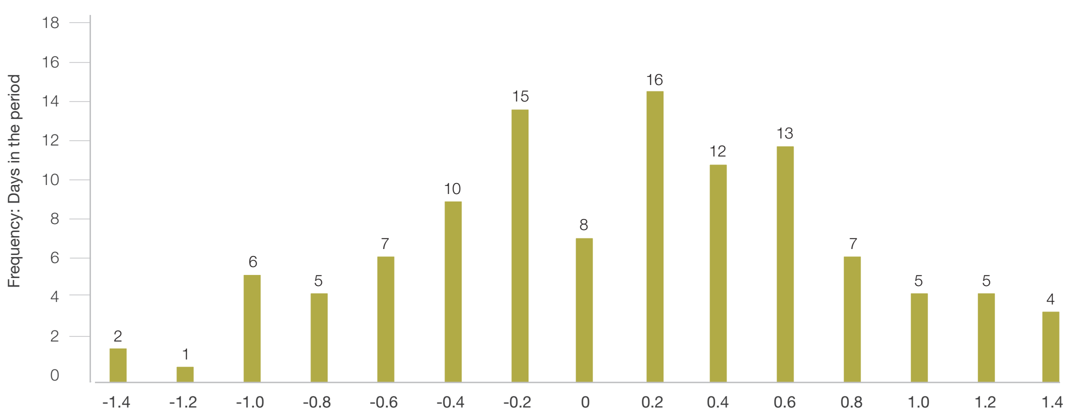
* *The consolidated stress EVT for each desk and each entity at the period is lower than the sum of the individual stress EVT's. This arises from the correlation offset between various asset classes.*

Profit and loss histograms

UK and Europe

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 72 days out of a total of 126 days in the trading business. The average daily trading revenue generated for the six months ended 30 September 2010 was £148 643.

Profit and loss (£'mn)

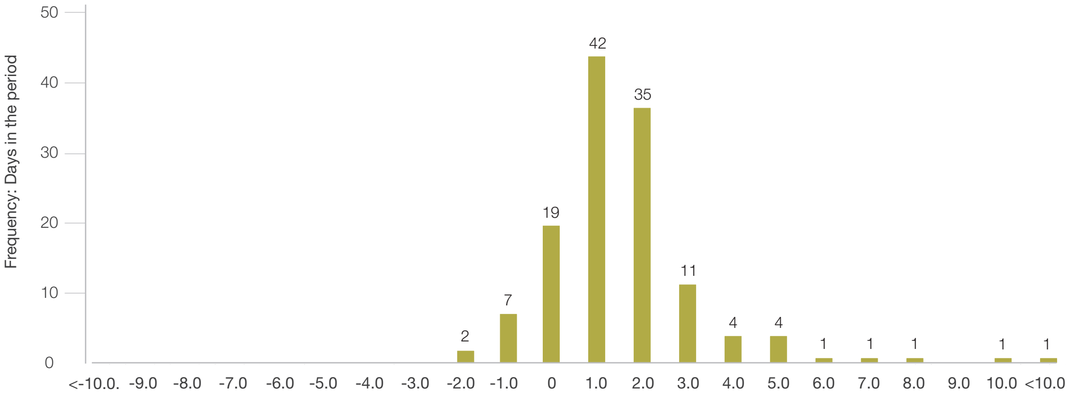


Risk management

South Africa

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 101 days out of a total of 129 days in the trading business. The average daily trading revenue generated for the six months ended 30 September 2010 was R1.1 million.

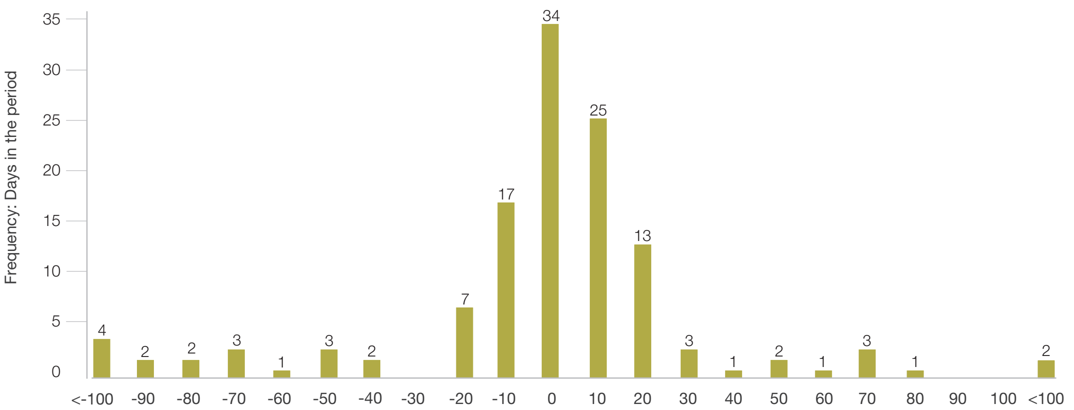
Profit and loss (R'mn)



Australia

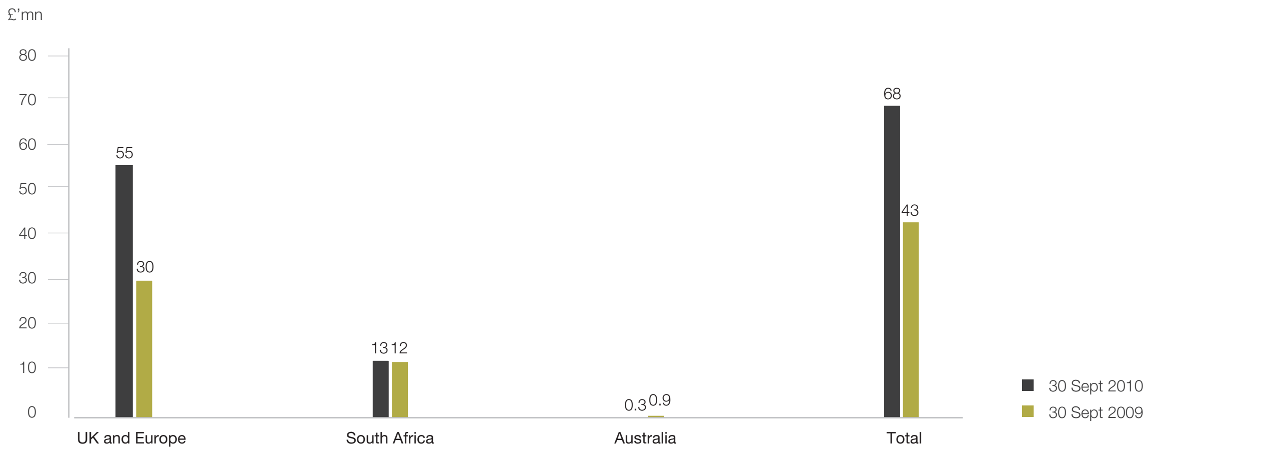
The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The graph shows that negative trading revenue was realised on 85 days out of a total of 126 days in the trading business. The average daily trading loss generated for the six months ended 30 September 2010 was A$6 594.

Profit and loss (A$'000)



Risk management

Revenue from trading activities within our Capital Markets division for the six month period



Balance sheet risk management

Balance sheet risk description

Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

Non-trading interest rate risk description

Non-trading interest rate risk is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected, adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, the shape of the yield curves, basis risk spreads, and optionality inherent in certain products. These affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity. The mix of interest rate repricing characteristics is influenced by the underlying financial needs of customers.

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

UK and Europe – interest rate sensitivity as at 30 September 2010

£'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non trading
Cash and short-term funds – banks	1 956	–	2	–	–	20	1 978
Cash and short-term funds – non-banks	–	–	–	–	–	–	–
Investment/trading assets	1 808	18	2	44	300	230	2 402
Securitised assets	3 816	2	1	2	–	1	3 822
Advances	6 656	782	125	347	113	–	8 023
Other assets	–	–	–	–	–	1 382	1 382
Assets	14 236	802	130	393	413	1 633	17 607
Deposits – banks	(1 853)	(11)	(19)	(51)	–	–	(1 934)
Deposits – non-banks	(6 689)	(458)	(1 202)	(81)	(47)	(8)	(8 485)
Negotiable paper	(418)	(2)	(127)	(155)	(20)	–	(722)
Investment/trading liabilities	(219)	–	(10)	–	–	(93)	(322)
Securitised liabilities	(3 307)	–	–	–	–	–	(3 307)
Subordinated liabilities	(77)	–	(213)	–	(268)	–	(558)
Other liabilities	–	–	–	–	–	(963)	(963)
Liabilities	(12 563)	(471)	(1 571)	(287)	(335)	(1 064)	(16 291)
Intercompany loans	76	–	–	1	–	–	77
Shareholders' funds	–	–	–	–	–	(1 619)	(1 619)
Balance sheet	1 749	331	(1 441)	107	78	(1 050)	(226)
Off-balance sheet	(636)	110	1 144	(105)	(345)	(48)	120
Repricing gap	1 113	441	(297)	2	(267)	(1 098)	(106)
Cumulative repricing gap	1 113	1 554	1 257	1 259	992	(106)	–

Risk management

South Africa – interest rate sensitivity as at at 30 September 2010

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non trading
Cash and short-term funds – banks	9 708	677	–	–	–	3 748	14 133
Cash and short-term funds – non-banks	5 805	–	–	–	–	–	5 805
Investment/trading assets	27 653	8 845	6 847	5 763	847	14 369	64 324
Securitised assets	8 616	26	48	154	10	301	9 155
Advances	98 677	1 508	1 211	8 963	3 156	216	113 731
Other assets	–	–	–	–	–	5 939	5 939
Assets	150 459	11 056	8 106	14 880	4 013	24 573	213 087
Deposits – banks	(11 599)	(70)	(25)	(120)	–	(32)	(11 846)
Deposits – non-banks	(128 670)	(9 718)	(7 241)	(2 594)	(627)	(1 430)	(150 280)
Negotiable paper	(1 088)	(186)	(300)	–	–	–	(1 574)
Investment/trading liabilities	(6 899)	(53)	(270)	(218)	–	(250)	(7 690)
Securitised liabilities	(3 065)	–	–	–	–	(3 023)	(6 088)
Subordinated liabilities	(2 777)	–	–	(2 567)	(1 508)	(14)	(6 866)
Other liabilities	(3 230)	(546)	(159)	(50)	(100)	(7 121)	(11 206)
Liabilities	(157 328)	(10 573)	(7 995)	(5 549)	(2 235)	(11 870)	(195 550)
Intercompany loans	3 800	(186)	(177)	(1 056)	–	(285)	2 096
Shareholders' funds	(3 197)	–	–	–	(1 246)	(15 118)	(19 561)
Balance sheet	(6 266)	297	(66)	8 275	532	(2 700)	72
Off-balance sheet	12 485	496	(239)	(10 268)	(2 546)	–	(72)
Repricing gap	6 219	793	(305)	(1 993)	(2 014)	(2 700)	–
Cumulative repricing gap	6 219	7 012	6 707	4 714	2 700	–	

Australia – interest rate sensitivity as at at 30 September 2010

A$'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non trading
Cash and short-term funds – banks	351	–	–	–	–	–	351
Investment/trading assets	1 308	20	112	185	–	31	1 656
Securitised assets	201	62	124	415	4	–	806
Advances	2 011	29	64	193	12	26	2 334
Other assets	–	–	–	–	–	327	327
Assets	3 870	111	300	793	16	384	5 473
Deposits – banks	–	–	–	–	–	–	–
Deposits – non-banks	(1 479)	(310)	(149)	(89)	(8)	(21)	(2 056)
Negotiable paper	(895)	(23)	(9)	(845)	–	(13)	(1 784)
Investment/trading liabilities	–	–	–	–	–	–	–
Securitised liabilities	(785)	–	–	–	–	–	(785)
Subordinated liabilities	(73)	–	–	–	–	–	(73)
Other liabilities	–	–	–	–	–	(112)	(112)
Liabilities	(3 231)	(333)	(158)	(934)	(8)	(146)	4 809
Intercompany loans	(17)	–	–	(2)	–	34	15
Shareholders' funds	–	–	–	–	–	(678)	(678)
Balance sheet	622	(222)	142	(143)	8	(407)	–
Off-balance sheet	60	(61)	(43)	52	(9)	1	–
Repricing gap	682	(283)	99	(91)	(1)	(406)	–
Cumulative repricing gap	682	398	498	407	406	–	–

Risk management

Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to mainly net interest income should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact to equity.

UK and Europe

’million	Sensitivity to the following interest rates (expressed in original currencies)				
	GBP	USD	EUR	Other (GBP)	All (GBP)
200bp Down	(28.0)	(1.0)	3.0	0.3	(25.7)
200bp Up	28.0	1.0	(3.0)	(0.3)	25.7

South Africa

’million	Sensitivity to the following interest rates (expressed in original currencies)					
	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bp Down	(276.8)	0.2	1.2	1.7	0.1	(249.6)
200bp Up	255.3	(0.4)	(3.4)	(2.8)	(0.1)	199.7

Australia

’million	AUD
200bp Down	(1.35)
200bp Up	1.35

Liquidity risk

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and marketwide events.

Liquidity risk description

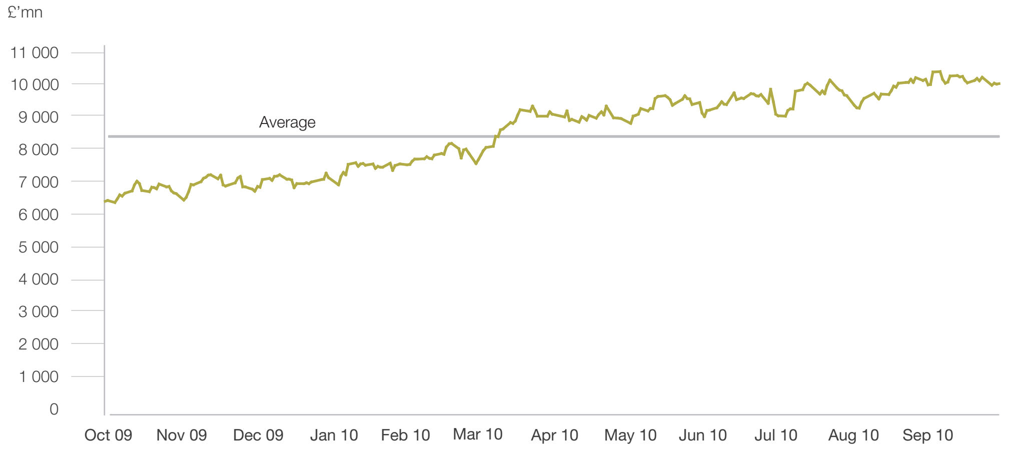
Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

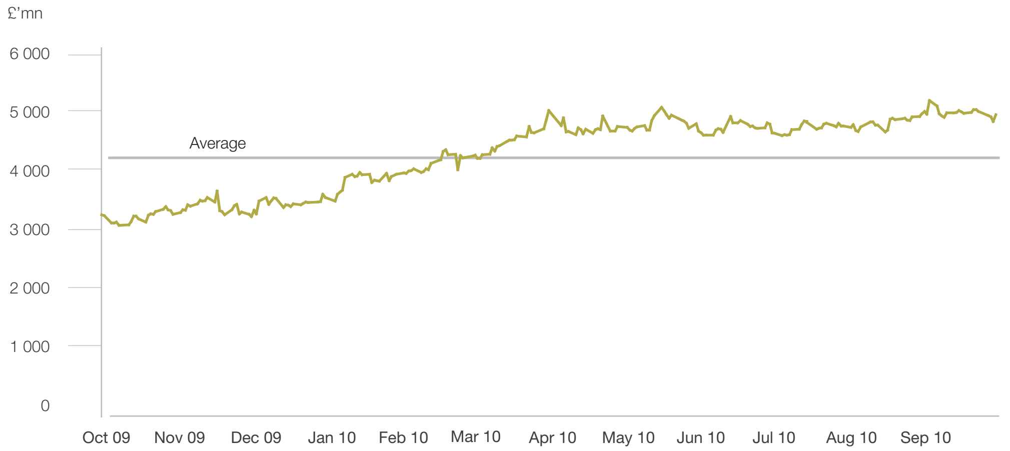
Sources of liquidity risk include unforeseen withdrawals of deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss, unpredicted customer non–payment of loan obligations and a sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Total Investec group cash and near cash trend

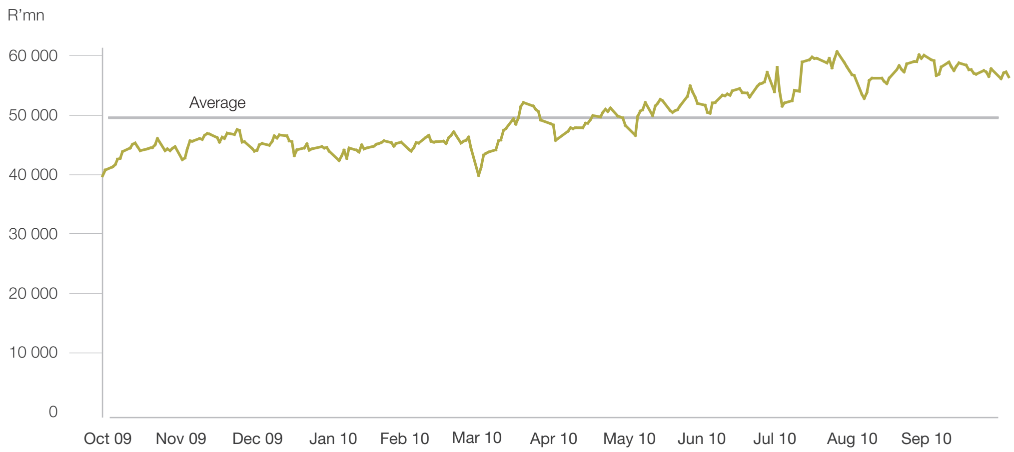
Total Investec group cash and near cash trend



Investec plc (UK, Europe and Australia) cash and near cash trend

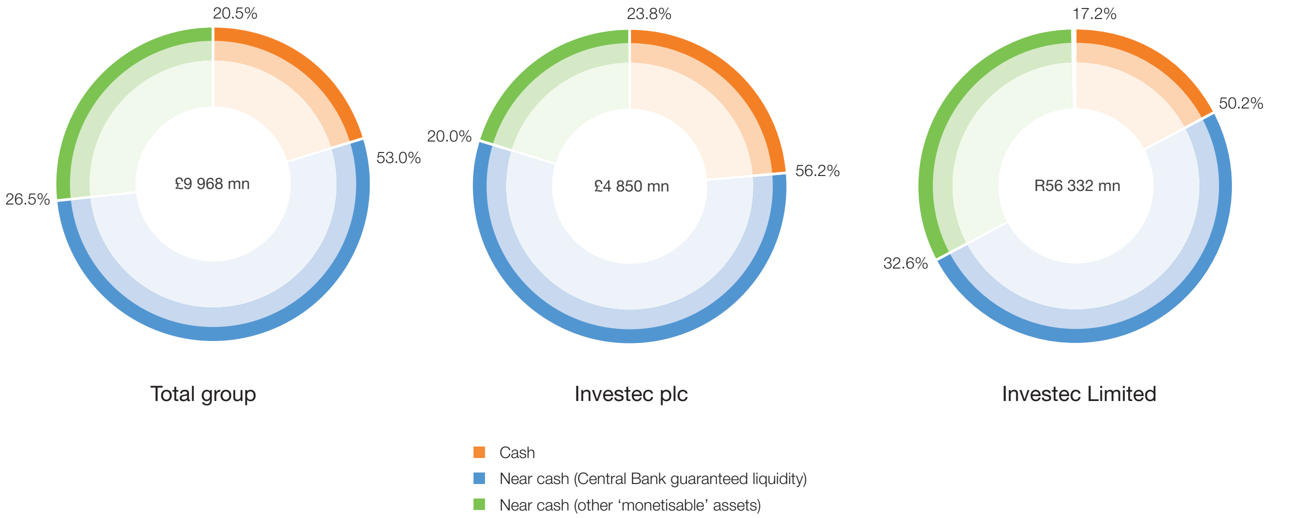


Investec Limited (Southern Africa) cash and near cash trend

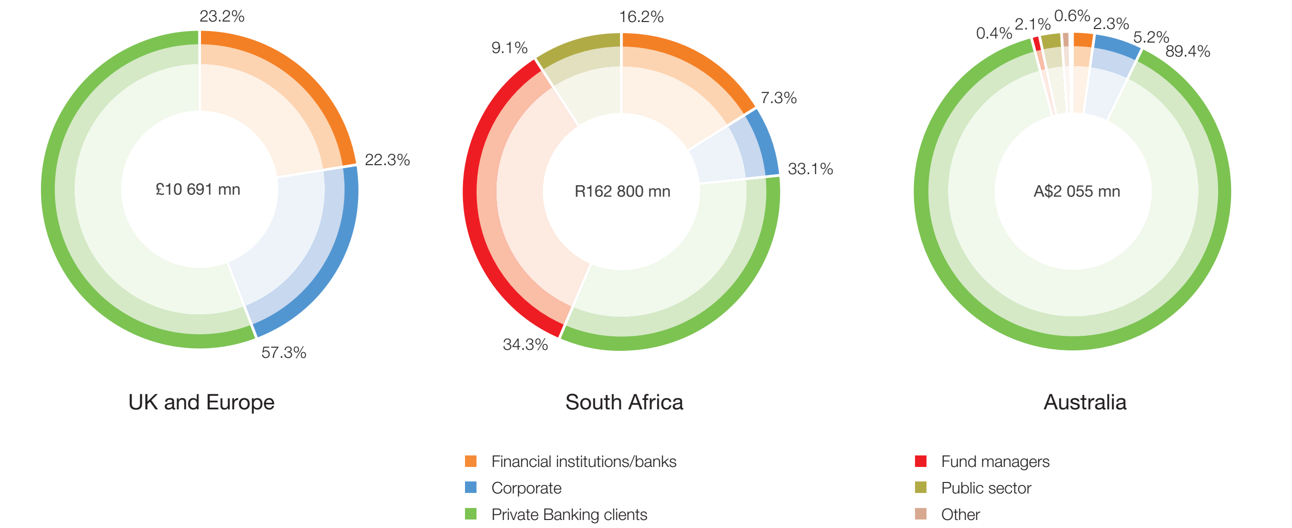


Risk management

An analysis of cash and near cash



Bank and non-bank depositor concentration by type



Liquidity mismatch

The tables that follow show our liquidity mismatch across our core geographies.

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

We maintained a strong liquidity profile throughout the year. Our limited reliance on securitisations as a source of funding has meant that the uncertainty in securitisation markets has not impacted our liquidity risk profile. Despite competitive pressures we were able to increase deposits taken from the retail market and raise additional liquidity. The tables reflect that loans and advances to Customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered, cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash as a buffer against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by selling these securities, we have:
  - Set the time horizon to one month to monetise our cash and near cash portfolio of "available for sale" discretionary treasury assets, where there are deep secondary markets for this elective asset class
  - Set the time horizon to "on demand" to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank
  - Reported the "contractual" profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- The new funding we would require under normal business circumstances is shown in the "behavioural mismatch". To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products, which models the point of probable maturity. In addition, re-investment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Europe

Contractual liquidity as at 30 September 2010

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks	1 652	545	85	–	2	–	–	2 284
Cash and short-term funds – non-banks	–	–	–	–	–	–	–	–
Investment/trading assets	1 110	908	450	44	43	384	588	3 527
Securitised assets	60	–	–	1	1	20	3 739	3 821
Advances	–	717	521	420	677	2 275	3 413	8 023
Other assets	124	476	61	–	1	96	625	1 383
Assets	2 946	2 646	1 117	465	724	2 775	8 365	19 038
Deposits – banks	(215)^	(377)	(52)	(123)	(255)	(519)	(646)	(2 187)
Deposits – non-banks	(511)	(2 008)	(1 863)	(2 663)	(361)	(1 016)	(82)	(8 504)
Negotiable paper	(8)	(18)	(16)	(2)	(5)	(506)	(172)	(727)
Securitised liabilities	–	–	–	–	–	–	(3 307)	(3 307)
Investment/trading liabilities	(607)	(60)	(494)	(10)	(4)	(59)	(3)	(1 237)
Subordinated liabilities	–	–	–	–	(213)	–	(344)	(557)
Other liabilities	(185)	(393)	(70)	(8)	(202)	(25)	(82)	(965)
Liabilities	(1 526)	(2 856)	(2 495)	(2 806)	(1 040)	(2 125)	(4 636)	(17 484)
Intercompany loans	40	(18)	(8)	–	–	62	(11)	65
Shareholders' funds	–	–	–	–	–	–	(1 619)	(1 619)
Contractual liquidity gap	1 460	(228)	(1 386)	(2 341)	(316)	712	2 099	–
Cumulative liquidity gap	1 460	1 232	(154)	(2 495)	(2 811)	(2 099)	–	–

Behavioural liquidity (as discussed above)

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	2 206	(229)	(951)	(977)	(314)	(1 530)	1 794	–
Cumulative	2 206	1 977	1 026	50	(2 685)	1 794	–	–

^ *The deposits shown in the demand column reflect cash margin deposits held.*

South Africa

Contractual liquidity as at 30 September 2010

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds – banks*	7 934	2 635	2 050	530	45	1 207	–	14 401
Cash and short term funds – non-banks	5 805	–	–	–	–	–	–	5 805
Investment/trading assets**	29 436	18 045	769	1 502	2 645	19 065	9 504	80 966
Securitised assets	680	120	262	236	953	3 134	3 770	9 155
Advances	7 673	5 625	8 665	10 368	12 293	40 539	28 568	113 731
Other assets	352	1 949	217	524	32	475	2 634	6 183
Assets	51 880	28 374	11 963	13 160	15 968	64 420	44 476	230 241
Deposits – banks	(2 709)	(800)	(831)	(70)	(583)	(6 853)	–	(11 846)
Deposits – non banks	(47 322)^	(27 228)	(30 936)	(16 487)	(16 458)	(10 577)	(1 946)	(150 954)
Negotiable paper	–	(148)	(609)	(247)	(430)	(140)	–	(1 574)
Securitised liabilities	(105)	(496)	(4 009)	(53)	(1 458)	(1 355)	(214)	(7 690)
Investment/trading liabilities	(2 196)	(4 068)	(1 190)	(518)	(1 437)	(9 717)	(762)	(19 888)
Subordinated liabilities	–	–	–	–	–	(4 008)	(2 858)	(6 866)
Other liabilities	(250)	(1 606)	(2 388)	(1 119)	(1 016)	(1 474)	(3 939)	(11 792)
Liabilities	(52 582)	(34 346)	(39 963)	(18 494)	(21 382)	(34 124)	(9 719)	(210 610)
Shareholders' funds	–	–	–	–	–	–	(19 637)	(19 637)
Contractual liquidity gap	(702)	(5 972)	(28 000)	(5 334)	(5 414)	30 296	15 126	–
Cumulative liquidity gap	(702)	(6 674)	(34 674)	(40 008)	(45 422)	(15 126)	–	–

Note: contractual liquidity adjustments (as discussed on page 83)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds – banks	4 203	2 635	2 050	530	45	1 207	3 731	14 401
**Investment/trading assets	4 438	11 963	7 023	12 252	11 451	23 615	10 224	80 966

Behavioural liquidity (as discussed on page 83)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	24 397	(2 587)	(4 496)	1 118	(3 083)	(43 710)	28 361	–
Cumulative	24 397	21 810	17 314	18 432	15 349	(28 361)	–	–

^ *Includes call deposits of R43.3 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Risk management

Australia

Contractual liquidity as at 30 September 2010

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks	351	–	–	–	–	–	–	351
Investment/trading assets*	1 463	18	5	8	39	191	51	1 776
Securitised assets	1	29	54	87	177	451	7	806
Advances**	8	102	325	251	612	946	90	2 334
Other assets	–	–	–	–	–	–	207	207
Assets	**1 822**	**150**	**384**	**347**	**829**	**1 588**	**355**	**5 473**
Deposits – banks	–	–	–	–	–	–	–	–
Deposits – non banks	(611)^	(201)	(638)	(331)	(178)	(89)	(8)	(2 055)
Negotiable paper	–	(83)	(115)	(26)	(48)	(1 513)	–	(1 784)
Securitised liabilities	(1)	(25)	(44)	(498)	(218)	–	–	(785)
Investment/trading liabilities	–	(2)	(22)	(6)	(6)	(37)	(21)	(94)
Subordinated liabilities	–	–	–	–	–	(73)	–	(73)
Other liabilities	–	–	–	–	–	–	(19)	(19)
Liabilities	**(611)**	**(311)**	**(819)**	**(861)**	**(449)**	**(1 712)**	**(47)**	**(4 809)**
Intercompany loans	30	–	–	–	(1)	(18)	4	15
Shareholders' funds	–	–	–	–	–	–	(678)	(678)
Contractual lliquidity gap	**1 240**	**(161)**	**(435)**	**(515)**	**379**	**(141)**	**(367)**	**–**
Cumulative liquidity gap	1 240	1 079	644	129	508	367	–	–

Note: contractual liquidity adjustments (as discussed on page 83)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Investment/trading assets	15	209	313	47	169	952	69	1 776
**Advances	430	81	283	138	387	925	90	2 334

Behavioural liquidity (as discussed on page 83)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	1 770	(249)	(671)	(627)	285	(141)	(367)	–
Cumulative	1 770	1 521	850	223	508	367	–	–

^ *Includes call deposits of A$589 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the approach to capital management is consistent across the two groups. The DLC structure requires the two groups to be considered independent from a capital perspective and hence capital is managed on this basis. This approach is exercised through the BRCC (via the Investec DLC Capital Committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of both Investec plc and Investec Limited.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise.

Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number or subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

Capital structure

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
As at 30 September 2010					
Regulatory capital					
Tier 1					
Called up share capital	–	836	292	–	26
Share premium	1 239	117	–	10 719	11 645
Retained income	490	338	364	9 957	6 222
Treasury shares	(7)	–	–	(942)	–
Other reserves	109	73	(6)	607	250
Minority interests in subsidiaries	163	(10)	–		
Goodwill	(550)	(103)	(90)	(351)	(99)
Primary capital (Tier 1)	1 444	1 251	560	19 990	18 044
Less: deductions	(32)	(18)	(65)	(332)	(332)
	1 412	1 233	495	19 658	17 712
Tier 2 capital					
Aggregate amount	623	529	104	7 129	7 129
Less: deductions	(32)	(18)	(4)	(332)	(332)
	591	511	100	6 797	6 797
Other deductions from Tier 1 and Tier 2	(59)	(72)	–	–	–
Total capital	1 944	1 672	595	26 455	24 509
As at 31 March 2010					
Regulatory capital					
Tier 1					
Called up share capital	–	748	292	–	25
Share premium	932	71	–	10 416	10 530
Retained income	419	343	360	9 405	6 055
Treasury shares	(3)	–	–	(1 140)	–
Other reserves	111	67	(7)	439	158
Minority interests in subsidiaries	168	(10)	–	–	–
Goodwill	(319)	(96)	(89)	(378)	(95)
Total Tier 1	1 308	1 123	556	18 742	16 673
Less: deductions	(33)	(14)	(76)	(266)	(266)
	1 275	1 109	480	18 476	16 407
Tier 2					
Aggregate amount	623	525	88	5 553	5 553
Less: deductions	(33)	(14)	(11)	(265)	(265)
	590	511	77	5 288	5 288
Other deductions from Tier 1 and Tier 2	(72)	(101)	–	–	–
Total capital	1 793	1 519	557	23 764	21 695

* *Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP and IBAL. The information for Investec Limited includes the information for IBL. The information for IBP includes the information for IBAL.*

Risk management

Capital requirements

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
As at 30 September 2010					
Capital requirements	933	763	417	15 475	14 381
Credit risk – prescribed standardised exposure classes	742	619	363	11 805	11 311
Corporates	188	187	274	7 055	6 580
Secured on real estate property	295	258	6	1 095	1 095
Counterparty risk on trading positions	23	23	6	420	403
Short term claims on institutions and corporates	33	27	3	1 536	1 536
Retail	46	46	13	724	724
Institutions	15	15	8	922	920
Other exposure classes	142	63	53	53	53
Securitisation exposures	28	28	–	338	338
Equity risk – standardised approach	19	19	6	1 401	1 371
Listed equities	3	3	2	89	59
Unlisted equities	16	16	4	1 312	1 312
Market risk – portfolios subject to internal models approach	26	26	2	164	110
Interest rate	12	12	2	35	35
Foreign Exchange	1	1	–	32	32
Commodities	–	–	–	1	1
Equities	13	13	–	96	42
Operational risk – standardised approach	118	71	46	1 767	1 251
As at 31 March 2010					
Capital requirements	901	720	376	14 465	13 272
Credit risk – prescribed standardised exposure classes	724	591	323	11 516	10 965
Corporates	234	230	232	7 481	6 991
Secured on real estate property	237	190	5	1 000	1 000
Counterparty risk on trading positions	20	20	5	321	321
Short term claims on institutions and corporates	33	28	4	1 282	1 221
Retail	44	44	16	698	698
Institutions	10	10	9	661	661
Other exposure classes	146	69	52	73	73
Securitisation exposures	20	19	–	356	356
Equity risk – standardised approach	16	16	8	717	697
Listed equities	2	2	2	55	35
Unlisted equities	14	14	6	662	662
Market risk – portfolios subject to internal models approach	23	23	2	154	91
Interest rate	12	12	2	31	31
Foreign Exchange	1	1	–	31	31
Commodities	–	–	–	1	1
Equities	10	10	–	91	28
Operational risk – standardised approach	118	71	43	1 722	1 163

* *Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP and IBAL. The information for Investec Limited includes the information for IBL. The information for IBP includes the information for IBAL.*

Risk management

Capital adequacy

As at 30 September 2010	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
Primary capital (Tier 1)	1 444	1 251	560	19 990	18 044
Less: deductions	(32)	(18)	(65)	(332)	(332)
	1 412	1 233	495	19 658	17 712
Tier 2 capital					
Aggregate amount	623	529	104	7 129	7 129
Less: deductions	(32)	(18)	(4)	(332)	(332)
	591	511	100	6 797	6 797
Other deductions from Tier 1 and Tier 2	(59)	(72)	–	–	–
Total capital	1 944	1 672	595	26 455	24 509
Risk-weighted assets (banking and trading)	11 665	9 528	3 216	162 888	151 372
Credit risk – prescribed standardised exposure classes	9 285	7 736	2 793	124 249	119 049
Corporates	2 352	2 336	2 111	74 258	69 260
Secured on real estate property	3 691	3 227	43	11 524	11 524
Counterparty risk on trading positions	286	288	50	4 424	4 243
Short term claims on institutions and corporates	409	336	23	16 166	16 166
Retail	580	580	99	7 620	7 620
Institutions	187	187	61	9 704	9 683
Other exposure classes	1 780	782	406	553	553
Securitisation exposures	351	352	–	3 557	3 557
Equity risk – standardised approach	234	229	48	14 754	14 434
Listed equities	34	32	15	941	621
Unlisted equities	200	197	33	13 813	13 813
Market risk – portfolios subject to internal models approach	325	325	19	1 725	1 161
Interest rate	149	149	19	373	373
Foreign Exchange	11	11	–	334	334
Commodities	–	–	–	9	9
Equities	165	165	–	1 009	445
Operational risk – standardised approach	1 470	886	356	18 603	13 171
Capital adequacy ratio	16.7%	17.5%	18.5%	16.2%	16.2%
Tier 1 ratio	12.1%	12.9%	15.4%	12.1%	11.7%
Capital adequacy ratio – pre operational risk	19.1%	19.3%	20.8%	18.3%	17.7%
Tier 1 ratio – pre operational risk	13.8%	14.3%	17.3%	13.6%	12.8%

* *Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP and IBAL. The information for Investec Limited includes the information for IBL. The information for IBP includes the information for IBAL.*

Capital adequacy (continued)

As at 31 March 2010	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
Total Tier 1	1 308	1 123	556	18 742	16 673
Less: deductions	(33)	(14)	(76)	(266)	(266)
	1 275	1 109	480	18 476	16 407
Tier 2					
Aggregate amount	623	525	88	5 553	5 553
Less: deductions	(33)	(14)	(11)	(265)	(265)
	590	511	77	5 288	5 288
Other deductions from Tier 1 and Tier 2	(72)	(101)	–	–	–
Total capital	1 793	1 519	557	23 764	21 695
Risk-weighted assets (banking and trading)	11 266	8 997	2 899	152 264	139 716
Credit risk – prescribed standardised exposure classes	9 057	7 380	2 485	121 226	115 429
Corporates	2 923	2 874	1 781	78 746	73 588
Secured on real estate property	2 962	2 371	37	10 525	10 525
Counterparty risk on trading positions	248	245	41	3 380	3 380
Short term claims on institutions and corporates	416	346	34	13 495	12 857
Retail	550	550	121	7 352	7 352
Institutions	131	131	69	6 955	6 955
Other exposure classes	1 827	863	402	773	772
Securitisation exposures	247	243	–	3 748	3 748
Equity risk – standardised approach	207	203	62	7 547	7 337
Listed equities	28	25	16	578	368
Unlisted equities	179	178	46	6 969	6 969
Market risk – portfolios subject to internal models approach	285	285	17	1 618	956
Interest rate	149	149	16	325	325
Foreign Exchange	11	11	1	326	326
Commodities	–	–	–	13	13
Equities	125	125	–	954	292
Operational risk – standardised approach	1 470	886	335	18 125	12 246
Capital adequacy ratio	15.9%	16.9%	19.2%	15.6%	15.5%
Tier 1 ratio	11.3%	12.3%	16.6%	12.1%	11.7%
Capital adequacy ratio – pre operational risk	18.3%	18.7%	21.7%	17.7%	17.0%
Tier 1 ratio – pre operational risk	13.0%	13.7%	18.7%	13.8%	12.9%

* *Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP and IBAL. The information for Investec Limited includes the information for IBL. The information for IBP includes the information for IBAL.*

Analysis of rated counterparties in each standardised credit risk exposure class

Investec plc

The table below shows the exposure amounts associated with the credit quality steps and relevant risk weightings.

Credit quality step £'mn	Risk weight	30 Sept 2010		31 March 2010	
		Exposure	Exposure after Credit Risk Mitigation	Exposure	Exposure after Credit Risk Mitigation
Central Banks and Sovereigns					
1	–	3 148	3 148	3 058	3 058
2	20%	–	–	–	–
3	50%	–	–	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	347	347	665	665
2	50%	156	156	98	98
3	50%	2	2	8	8
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	491	491	595	595
2	20%	477	477	886	886
3	20%	22	22	49	49
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Counterparty Credit Risk – effective original maturity of more than three months*					
1	20%	290	244	283	246
2	50%	115	75	99	55
3	50%	51	20	52	12
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Counterparty Credit Risk – effective original maturity of less than three months*					
1	20%	563	173	215	63
2	20%	33	33	7	7
3	20%	301	24	206	5
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	123	123	42	42
2	50%	–	–	17	17
3	100%	20	20	–	–
4	100%	39	39	5	5
5	150%	10	10	–	–
6	150%	–	–	–	–
Securitisation positions					
1	20%	108	108	109	109
2	50%	59	59	18	18
3	100%	34	34	18	18
4	350%	28	28	21	21
5	1 250%	10	10	10	10
Total rated counterparty exposures		6 427	5 643	6 461	5 987

* *The capital requirement disclosed as held against credit risk as at 30 September 2010 included a small amount of capital held against counterparty credit risk, mainly within the groups trading businesses.*

Investec Limited

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings.

Credit quality step R'mn	Risk weight	30 Sept 2010		31 March 2010	
		Exposure	Exposure after Credit Risk Mitigation	Exposure	Exposure after Credit Risk Mitigation
Central Banks and Sovereigns					
1	–	31 395	31 395	21 363	21 363
2	20%	–	–	–	–
3	50%	39	39	43	43
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	1 584	1 584	–	–
2	50%	9 979	9 979	6 303	6 303
3	50%	8 068	7 927	5 624	5 480
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	2 302	2 302	3 986	3 986
2	20%	2 931	2 931	6 067	6 067
3	20%	937	937	2 023	2 023
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	–	–	40	40
2	50%	158	158	133	133
3	100%	55	54	157	145
4	100%	35	35	–	–
5	150%	–	–	–	–
6	150%	58	58	–	–
Securitisation positions					
1	20%	1 038	1 038	1 042	1 042
2	50%	1 767	1 767	2 147	2 147
3	100%	689	689	820	820
4	350%	520	520	500	500
5	1 250%	885	885	638	638
Total rated counterparty exposures		62 440	62 298	50 886	50 730

Divisional and segmental review

Divisional review

Group operating structure

Investec is a focused, specialist bank and asset manager striving to be distinctive in all that it does. Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives. Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

Asset and wealth management

Asset Management
- 4Factor Equities
- Contrarian
- South African Equities
- Frontier
- Commodities and Resources
- Fixed Income and Currency
- Multi-Asset

- Africa
- Australia
- Asia
- Cross Border (Europe, Japan, Latin America, Middle East)
- America
- UK

Wealth and Investment
- Portfolio management
- Stockbroking
- Alternative investments
- Investment advisory services
- Electronic trading services
- Retirement portfolios

- Southern Africa
- UK and Europe

Specialist bank

Property Activities
- Fund Management
- Listed Funds
- Trading and Development

- Australia
- Southern Africa
- UK and Europe

Private Banking
- Banking activities
- Growth and acquisition finance
- Specialised lending
- Structured property finance
- Trust and fiduciary services

- Australia
- Southern Africa
- UK and Europe

Investment Banking
- Corporate Finance
- Institutional Research, Sales and Trading
- Principal Investments

- Australia
- Hong Kong
- Southern Africa
- UK and Europe
- USA

Capital Markets
- Specialised Lending
- Structured Derivatives
- Securitisation and Principal Finance
- Specialist Funds

- Australia
- Canada
- Southern Africa
- UK and Europe

Group Services and Other Activities

Central Services • Central Funding • International Trade Finance

Integrated global management structure

Global roles

Chief Executive Officer – Stephen Koseff
Managing Director – Bernard Kantor
Executive Director – Alan Tapnack
Group Risk and Finance Director – Glynn Burger

Geographic business leaders

South Africa
Andy Leith, Glynn Burger, David Lawrence

United Kingdom
Steven Heilbron and David van der Walt

Australia
David Clarke

Specialist bank

Property Activities
Sam Hackner

Private Banking
Steven Heilbron

Investment Banking
Andy Leith

Capital Markets
David van der Walt

Wealth and Investment Steve Elliott

Asset Management Hendrik du Toit

Support structures

Banking and Institutions David Lawrence

Chief Integrating Officer Allen Zimbler

Corporate Governance and Compliance
Bradley Tapnack

Finance, IT and Operations Rayanne Jacobson

Marketing Raymond van Niekerk

Risk Management Ciaran Whelan

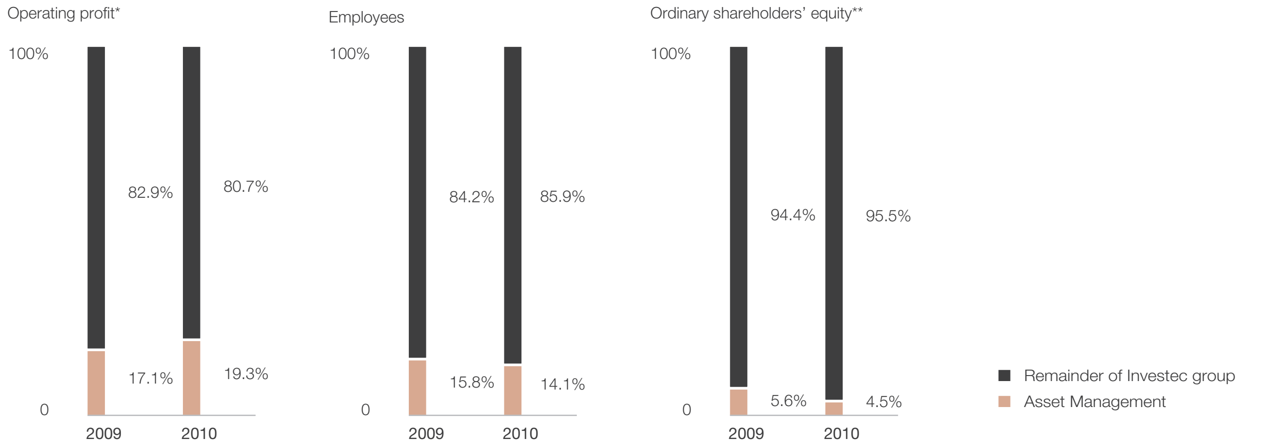
Share Schemes and Secretarial Les Penfold

Asset Management

Overview and financial analysis

- Operating profit increased by 69.1% to £48.9 million, contributing 19.3% to group profit
- Assets under management increased by 6.7% since March 2010 to a record level of £49.5 billion and over the period there have been net inflows of £1.9 billion.

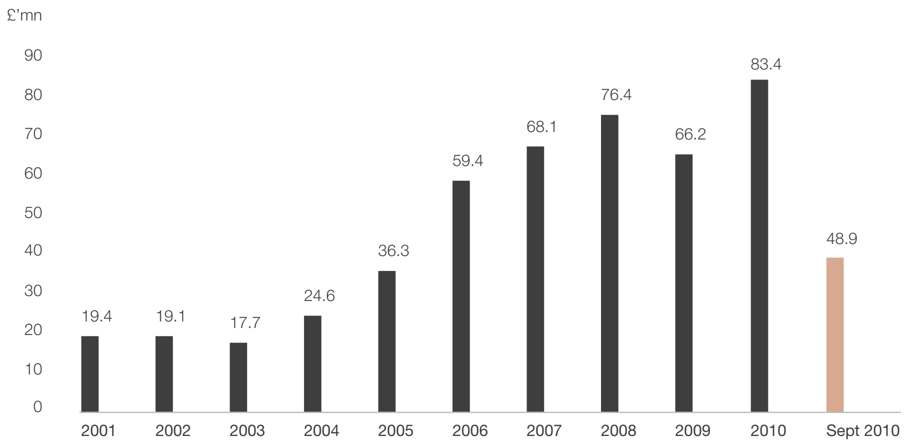
Contribution analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after minorities (excluding Group Services and Other Activities).*

** *As calculated on page 34.*

Operating profit^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Asset Management

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	874	1 014	(140)	(13.8%)
Net fees and commissions income	142 600	98 695	43 905	44.5%
Other income	277	2 821	(2 544)	(90.2%)
Total operating income	143 751	102 530	41 221	40.2%
Impairment losses on loans and advances	29	–	29	100.0%
Admin expenses and depreciation	(94 703)	(73 443)	(21 260)	28.9%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	**49 077**	**29 087**	**19 990**	**68.7%**
Earnings attributable to minority interests	(164)	(155)	(9)	5.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**48 913**	**28 932**	**19 981**	**69.1%**
UK and International	18 867	7 513	11 354	>100.0%
Southern Africa	30 046	21 419	8 627	40.3%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**48 913**	**28 932**	**19 981**	**69.1%**
Ordinary shareholders' equity*	138 367	131 397	6 970	5.3%
ROE (pre-tax)*	59.7%	32.0%		
Cost to income ratio	65.9%	71.6%		
Operating profit per employee (£'000)*	49.5	31.2	18.3	58.7%

* *As calculated on pages 34 and 36.*

The variance in operating profit over the period can be explained as follows:

UK and international

- Operating profit in the UK and international business increased by 151.1% to £18.9 million
- The increase in profitability of the UK and international business is due to higher average assets under management, positive net flows and increased performance fees
- Performance fee revenue increased to £1.3 million (2009: £0.2 million).

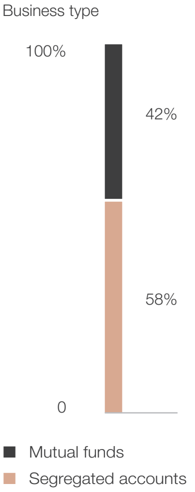
Southern Africa

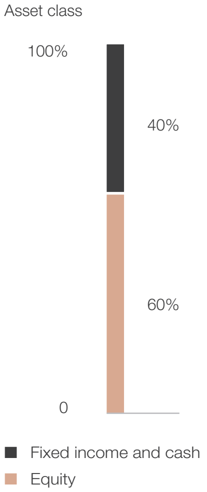
- Operating profit (after minorities) in the Southern Africa business increased by 40.3% to £30.0 million
- The increase in profitability of the Southern Africa business is also due to higher average assets under management and increased performance fees
- Performance fee revenue increased to R105 million (£9.2 million) (2009: R50 million (£3.9 million)).

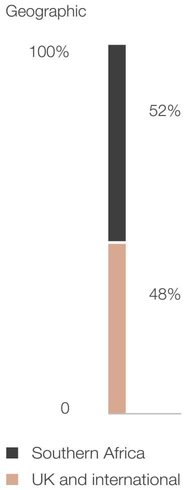
Asset Management

Analysis of key earnings drivers (assets under management and sales)

Assets under management*







Movement in assets under management*

	£'million			R'million
	Total	UK and international	Southern Africa	Southern Africa
31 March 2010	46 403	21 666	24 737	274 761
Net flows	1 943	2 355	(412)	(4 664)
Market/FX movement	1 145	(294)	1 439	13 281
30 September 2010	49 491	23 727	25 764	283 378
Segregated accounts	28 483	11 276	17 207	189 259
Mutual funds	21 008	12 451	8 557	94 119

£'million	Total	Segregated accounts	Mutual funds
31 March 2010	46 403	27 582	18 821
Net flows	1 943	2	1 941
Market/FX movement	1 145	899	246
30 September 2010	49 491	28 483	21 008
UK and international	23 727	11 276	12 451
Southern Africa	25 764	17 207	8 557

Asset Management

Movement in assets under management (prior period)*

	£'million			R'million
	Total	UK and international	Southern Africa	Southern Africa
31 March 2009	28 835	13 108	15 727	213 509
Net flows	2 154	1 711	443	5 461
Market/FX movement	7 250	2 764	4 486	28 610
30 September 2009	38 239	17 583	20 656	247 580
Segregated accounts	23 277	8 813	14 464	173 370
Mutual funds	14 962	8 770	6 192	74 210

£'million	Total	Segregated accounts	Mutual funds
31 March 2009	28 835	17 918	10 917
Net flows	2 154	493	1 661
Market/FX movement	7 250	4 866	2 384
30 September 2009	38 239	23 277	14 962
UK and international	17 583	8 813	8 770
Southern Africa	20 656	14 464	6 192

* *Managed basis.*

Developments

- We continue to deepen our distribution footprint and develop our seven investment capabilities
- We had net flows for the half year of £1.9 billion and had record assets under management of £49.5 billion at the period end
- Segregated/institutional accounts have performed well, 100% of our investment capabilities have beaten benchmark since either inception or GIPs (Global Investment Performance Standards) inception
- 70% by value and 66% by number of our mutual funds are in the first and second quartile over three years
- 66% by value and 62% by number of our mutual funds are in the first and second quartile over five years.

Investec Asset Management in the UK mutual fund industry

£'million	2010	2009	2008
IAM assets under management	8 003	5 282	3 828
Total industry size	542 599	463 418	380 014
Market share	1.5%	1.1%	1.0%
Size ranking in industry	24th of 102	31st of 108	32nd of 111
Industry gross retail sales	94 852	69 942	64 977
IAM % of industry gross retail sales	4.0%	2.4%	2.6%

Sourced from data from the Investment Management Association.
Statistics as at 30 September, sales for the 12 month period.

Asset Management

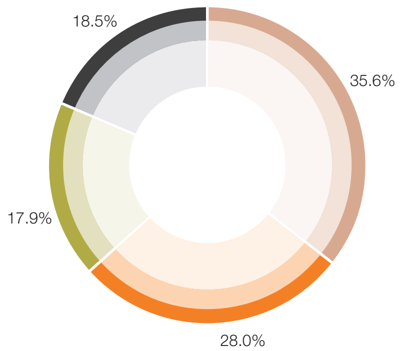
Investec Asset Management in the South African unit trust industry

R'million	2010	2009	2008
IAM assets under management	87 436	66 051	61 003
Total industry size	825 267	748 873	647 446
Market share	10.6%	8.8%	9.4%
Size ranking in industry	3rd of 38	5th of 38	4th of 39
Industry net sales	94 319	97 909	42 246
IAM % of net industry sales	17.6%	6.4%	10.0%
Industry gross sales	743 970	614 316	561 764
IAM % of gross industry sales	9.4%	7.3%	7.7%

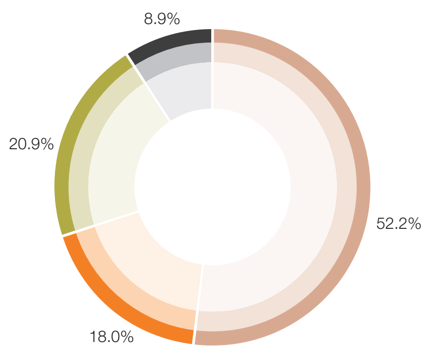
Sourced from data from the Association of Collective Investments.
Statistics as at 30 September, sales for the 12 month period.

Mutual fund investment performance

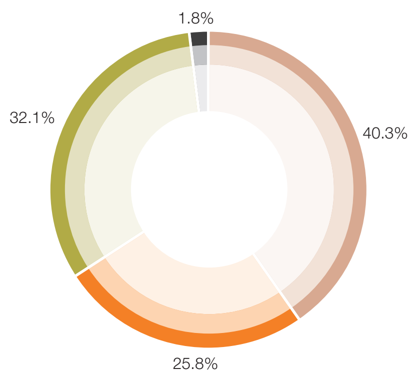
By value of funds



One year



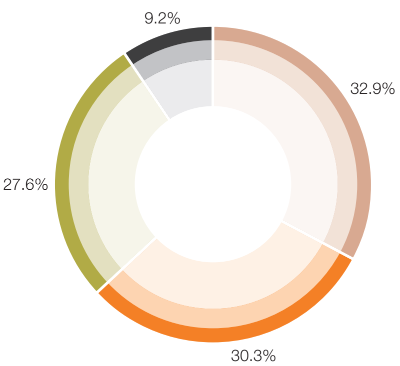
Three years



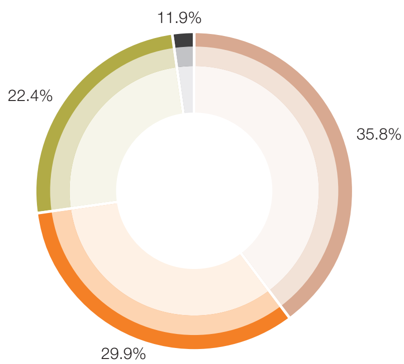
Five years

First quartile
Second quartile
Third quartile
Fourth quartile

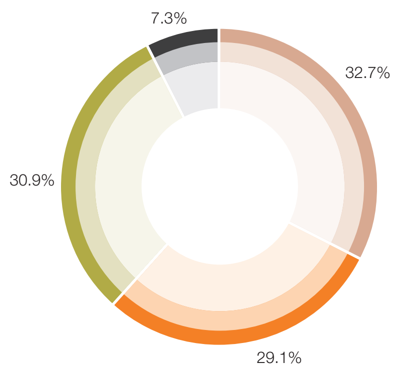
By number of funds



One year



Three years



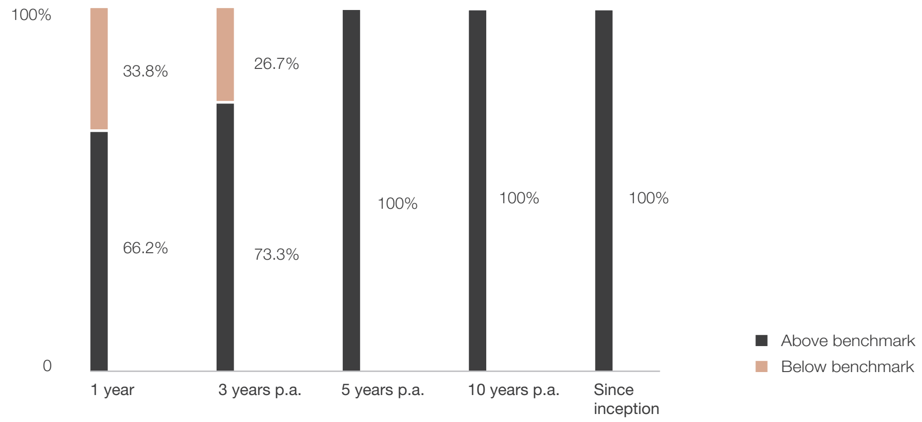
Five years

First quartile
Second quartile
Third quartile
Fourth quartile

Calculated from Lipper and Morningstar data. Excludes cash, cash plus and liquidity funds.

Asset Management

Segregated accounts investment performance



Calculated by Investec Asset Management grouped by investment capability, asset weighted active returns within each capability, weighted by capability.

Outlook, risks and opportunities

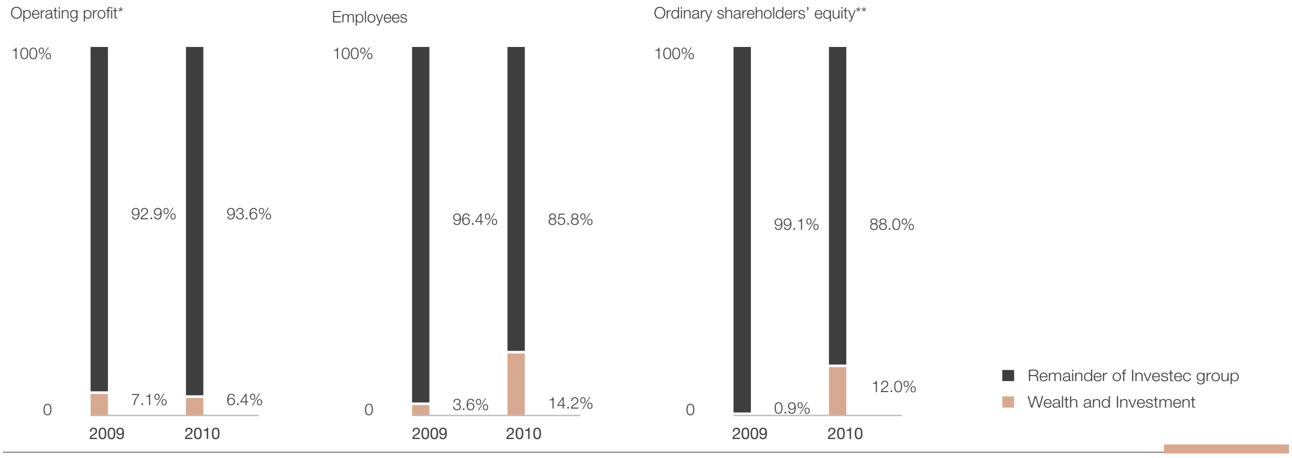
- The risks for our business include market levels, key staff retention, reputational risk and investment performance
- Momentum is positive and the business is benefiting from sustained performance over many years.

Wealth and Investment

Overview and financial analysis

- The Wealth and Investment division comprises the following:
  - Private Client Securities, South Africa
  - Private Bank Wealth Management, South Africa (effective 1 April 2010)
  - Rensburg Sheppards group
  - Private Bank Wealth Management, UK, Europe and Other (effective 1 July 2010)
- Rensburg Sheppards plc became a wholly-owned subsidiary of the Investec group on 25 June 2010. Prior to this date, Investec owned 47.1% of Rensburg Sheppards plc. The Rensburg Sheppards group comprises two principal trading subsidiaries, Rensburg Sheppards Investment Management Limited (RSIM) and Rensburg Fund Management Limited (RFM)
- Operating profit increased by 36.1% to £16.3 million, contributing 6.4% to group profit
- Since 31 March 2010, private client funds under management increased by 2.0% from £27.1 billion to £27.7 billion.

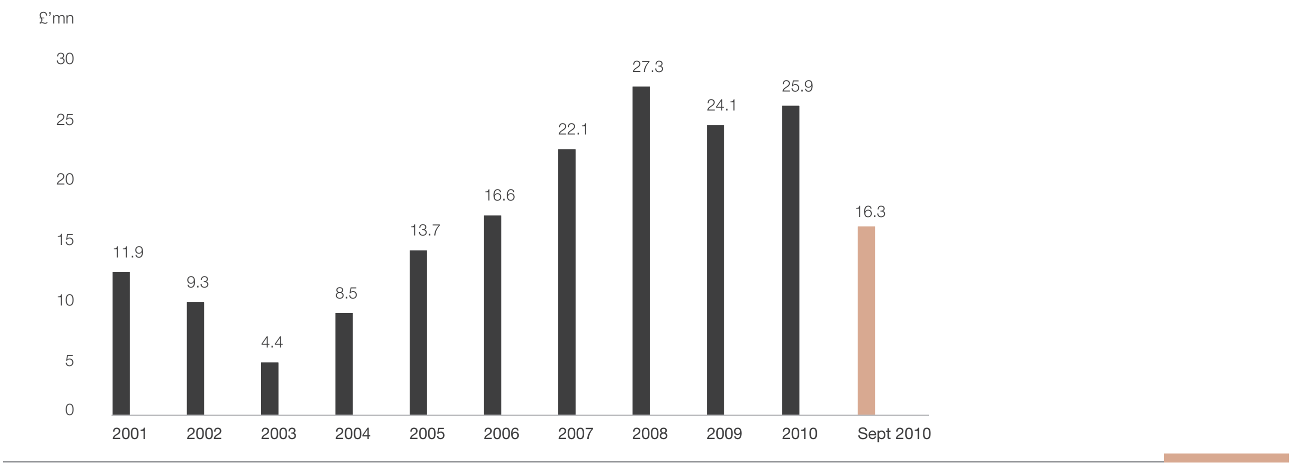
Contribution analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after minorities (excluding Group Services and Other Activities).*

** *As calculated on page 34.*

Operating profit^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Wealth and Investment

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	2 597	508	2 089	>100.0%
Net fee and commission income	53 963	17 340	36 623	>100.0%
Principal transactions	1 896	1 032	864	83.7%
Other operating income and operating income from associates	2 376	5 386	(3 010)	(55.9%)
Total operating income	60 832	24 266	36 566	>100.0%
Admin expenses and depreciation	(44 490)	(12 258)	(32 232)	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**16 342**	**12 008**	**4 334**	**36.1%**
UK and Europe	8 996	5 389	3 607	66.9%
South Africa	7 346	6 619	727	11.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**16 342**	**12 008**	**4 334**	**36.1%**
Ordinary shareholders' equity*	369 056	20 363	348 693	>100.0%
ROE (pre-tax)*	14.0%	95.9%		
Cost to income ratio excluding income from associates	76.1%	64.9%		
Cost to income ratio	73.1%	50.5%		
Operating profit per employee (£'000)*	23.6	32.1	(8.5)	(26.5)

* *As calculated on pages 34 and 36.*

The variance in operating profit over the period can be explained as follows:

- The South African business has benefitted from higher average assets under management. Results have, however, been negatively impacted by increased personnel resulting from the merger, higher IT costs and lower earnings on deal driven and asset swap activities. The merger with the Private Bank Wealth Management business became effective 1 April 2010
- On 30 March 2010, it was announced that Investec and Rensburg Sheppards plc had reached agreement on the terms of a recommended all share offer under which Investec would acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards plc not already owned by it. Following shareholder and regulatory approvals the acquisition became effective on 25 June 2010. Prior to this date Investec's 47.1% interest in Rensburg Sheppards plc was accounted for as an associate. As a result of requirements under new accounting rules, the group was required to fair value its existing 47.1% holding in Rensburg Sheppards plc at the point it acquired the remaining 52.9%. This has resulted in an exceptional gain of £73.5 million (net of acquisition costs). The group issued 37.9 million shares to acquire the remaining shares in Rensburg Sheppards plc for a consideration of £180.4 million. This consideration combined with the existing fair valued holding resulted in the recognition of goodwill and intangibles of £193.6 million and £133.4 million, respectively. Further detail is provided below
- The UK Private Bank Wealth Management business became part of the Wealth and Investment division with effect from 1 July 2010

Developments

UK, Europe and Other

- Following the acquisition of Rensburg Sheppards plc by Investec, the process of integration is ongoing and remains a key objective for the coming months
- The process of integrating the UK Private Bank Wealth Management business into the Rensburg Sheppards business is ongoing.

South Africa

- The creation of the Wealth and Investment division is the result of the recent merger of the Private Bank's Wealth Management division with Investec Private Client Securities. The merger process is progressing reasonably well with new operational team and management structures put in place. In the short term we expect combined revenues to be lower than prior periods. In line with our medium term strategy, the next few months will be dedicated to entrenching a common aspiration throughout the business to acquire new advisory and discretionary assets in an endeavour to drive future annuity income growth supported by good investment management performance.

Wealth and Investment

Accounting for the acquisition of Rensburg Sheppards plc

£'000	Book value	Fair value
Loans and advances to banks	65 449	65 449
Investment securities	2 193	1 320
Deferred taxation assets	2 095	2 095
Other assets	97 865	97 865
Property plant and equipment	4 921	4 378
Intangible assets	34 764	133 356
Assets	207 287	304 463
Deposits by banks	534	534
Current taxation liabilities	8 823	8 823
Deferred taxation liabilities	9 996	35 951
Other liabilities	93 931	93 931
Subordinated liabilities	18 125	18 125
Liabilities	131 409	157 364
Net assets/fair value of net assets	75 878	147 099
Goodwill*		193 613
Fair value of consideration		340 712
Acquisition of 53% holding (i.e. 23.3 million shares) on 25 June 2010**		180 440
Fair value of 47% holding (i.e. 20.7 million shares)**		160 272
Carrying value of 47% holding at 25 June 2010		80 752
Fair value gain arising on acquisition		79 520
Investec costs of acquisition of 53% holding		(6 055)
Net gain in income statement		73 465

* *The goodwill of £193 613 000 arising from the acquisition consists largely of the benefits expected to arise from the enhancement of the group's Wealth and Investment offering through the combination of Rensburg Sheppards plc with the group's existing Wealth and Investment business. None of the goodwill is expected to be deductable for corporation tax purposes.*

** *As calculated in relation to the 37.9 million Investec plc shares issued for the remaining 53% shares in Rensburg Sheppards plc at £4.76; which valued Rensburg Sheppards at approximately £7.76 per share, Rensburg Sheppards plc had 43.9 million shares in issue.*

For the post-acquisition period 26 June to 30 September 2010, the operating income of Rensburg Sheppards plc totalled £29 013 000 and profits before taxation and amortisation of client relationships totalled £7 673 000. The operating income of Investec would have been £782.6 million and profits before taxation and amortisation of client relationships would have totalled £221.8 million if the acquisition of Rensburg Sheppards plc had been on 1 April 2010 as opposed to 25 June 2010.

On 18 November 2010, Investec announced that it had entered into an agreement for the sale of Rensburg Fund Management Limited to Franklin Templeton Global Investors Limited (UK), a subsidiary of Franklin Resources, Inc., a global investment management organisation operating as Franklin Templeton Investments, for a cash consideration of £45 million payable at completion. The transaction is subject to obtaining regulatory approval and is expected to complete in early 2011.

Wealth and Investment

Analysis of key earnings drivers (funds under management)

£'million	30 Sept 2010	31 March 2010	% change Sept 10 vs March 10	30 Sept 2009	31 March 2009	% change Sept 09 vs March 09
UK, Europe and Other	14 795	15 086	(1.9%)	13 855	11 657	18.9%
Discretionary	8 818	8 517	3.5%	7 926	6 458	22.7%
Non-discretionary and other	5 977	6 569	(9.0%)	5 929	5 199	14.0%
South Africa	12 896	12 052	7.0%	10 247	7 875	30.1%
Discretionary	1 892	1 776	6.5%	1 465	1 149	27.5%
Non-discretionary	11 004	10 276	7.1%	8 782	6 726	30.6%
Total	27 691	27 138	2.0%	24 102	19 532	23.4%

South Africa: analysis of key earnings drivers (funds under management and inflows)

Funds under management as at	30 Sept 2010	31 March 2010	% change	30 Sept 2010	31 March 2010	% change
	R'million			£'million		
Discretionary	20 811	19 726	5.5%	1 892	1 776	6.5%
Non-discretionary*	121 045	114 168	6.0%	11 004	10 276	7.1%
Total	141 856	133 894	5.9%	12 896	12 052	7.0%

Net inflows/(outflows) at cost over the period	30 Sept 2010	31 March 2010
	R'million	
Discretionary	619	537
Non-discretionary	6 989	(999)
Total	7 608	(462)

Funds under management as at	30 Sept 2009	31 March 2009	% change	30 Sept 2009	31 March 2009	% change
	R'million			£'million		
Discretionary	17 569	15 594	12.7%	1 465	1 149	27.5%
Non-discretionary*	105 301	91 312	15.3%	8 782	6 726	30.6%
Total	122 870	106 906	14.9%	10 247	7 875	30.1%

Net inflows/(outflows) at cost over the period	30 Sept 2009	31 March 2009
	R'million	
Discretionary	211	(897)
Non-discretionary	1 764	(2 097)
Total	1 975	(2 994)

* *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Wealth and Investment

UK, Europe and Other: analysis of key earnings drivers (funds under management and inflows)

Funds under management as at	30 Sept 2010 £'million	31 March 2010	% change	30 Sept 2009 £'million	31 March 2009	% change
Rensburg Sheppards	12 791	12 899	(0.8%)	12 119	10 002	21.2%
Discretionary	8 818	8 517	3.5%	7 926	6 458	22.7%
Non–discretionary	3 077	3 082	(0.2%)	2 918	2 466	18.3%
Other	896	1 300	(31.1%)	1 275	1 078	18.3%
UK, Europe and Other*	2 004	2 187	(8.4%)	1 736	1 655	4.9%
Total	14 795	15 086	(1.9%)	13 855	11 657	18.9%

Rensburg Sheppards net inflows/ (outflows) at cost over the period	30 Sept 2010 £'million	31 March 2010		30 Sept 2009 £'million	31 March 2009	
Discretionary	268	(58)		(10)	227	
Non–discretionary	2	66		6	(66)	
Other	(381)	(172)		(90)	85	
Total	(111)	(164)		(94)	246	

* *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Further analysis of Rensburg Sheppards - Investment Management business

	30 Sept 2010	31 March 2010	% change	30 Sept 2009	31 March 2009
Funds under management (£'billion)	11.89	11.60	2.5%	10.85	8.93
FTSE/APCIMS Private Investors Balanced Index (at period end)	2 843	2 861	(0.6%)	2 658	2 230
Annualised underlying rate of net organic growth in total funds under management*	4.7%	6.0%		5.2%	1.4%
% of total funds managed on a discretionary basis	74.1%	73.4%		73.1%	72.3%

Analysis of funds under management	30 Sept 2010 £'billion	31 March 2010	% change	30 Sept 2009 £'billion	31 March 2009
At the beginning of the period	11.60	8.93	29.9%	8.93	11.48
Inflows	0.54	1.06	(49.1%)	0.46	0.86
Inflows – acquired	–	0.05	(100.0%)	0.05	–
Outflows	(0.28)	(0.52)	(46.2%)	(0.23)	(0.70)
Outflows – exceptional	–	(0.58)	(100.0%)	(0.28)	–
Market adjustment**	0.03	2.66	(98.9%)	1.92	(2.71)
At the end of the period	11.89	11.60	2.5%	10.85	8.93

* *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

** *Impact of market movement and relative performance.*

Wealth and Investment

Further analysis of Rensburg Sheppards - Fund Management business

	30 Sept 2010	31 March 2010	% change	30 Sept 2009	31 March 2009
Funds under management (£'billion)	0.90	1.30	(30.8%)	1.28	1.08
FTSE All-Share Index (at period end)	2 868	2 910	(1.5%)	2 638	1 984
Annualised underlying rate of net organic growth in total funds under management*	(11.0%)	(4.6%)		5.5%	5.4%

Analysis of funds under management	30 Sept 2010	31 March 2010	% change	30 Sept 2009	31 March 2009
	£'billion			£'billion	
At the beginning of the period	**1.30**	**1.08**	**20.4%**	**1.08**	**1.47**
Inflows	0.12	0.30	(60.0%)	0.16	0.46
Outflows	(0.17)	(0.35)	(51.4%)	(0.13)	(0.38)
Outflows – exceptional#	(0.33)	(0.12)	>100.0%	(0.12)	-
Market adjustment**	(0.02)	0.39	(>100.0%)	0.29	(0.47)
At the end of the period	**0.90**	**1.30**	**(30.8%)**	**1.28**	**1.08**

* *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*
** *Impact of market movement and relative performance.*
\# *The exceptional outflow during the period to 30 September 2010 relates to the loss of a single segregated mandate.*

Outlook, risks and uncertainties

UK, Europe and Other

- The economic outlook remains uncertain and future performance will be adversely affected should equity markets suffer a further setback
- Following a period of significant consolidation in the investment management arena over the past decade, suitable opportunities for the acquisition of businesses are now relatively scarce, but we maintain a proactive approach to identify any opportunities that may arise.

South Africa

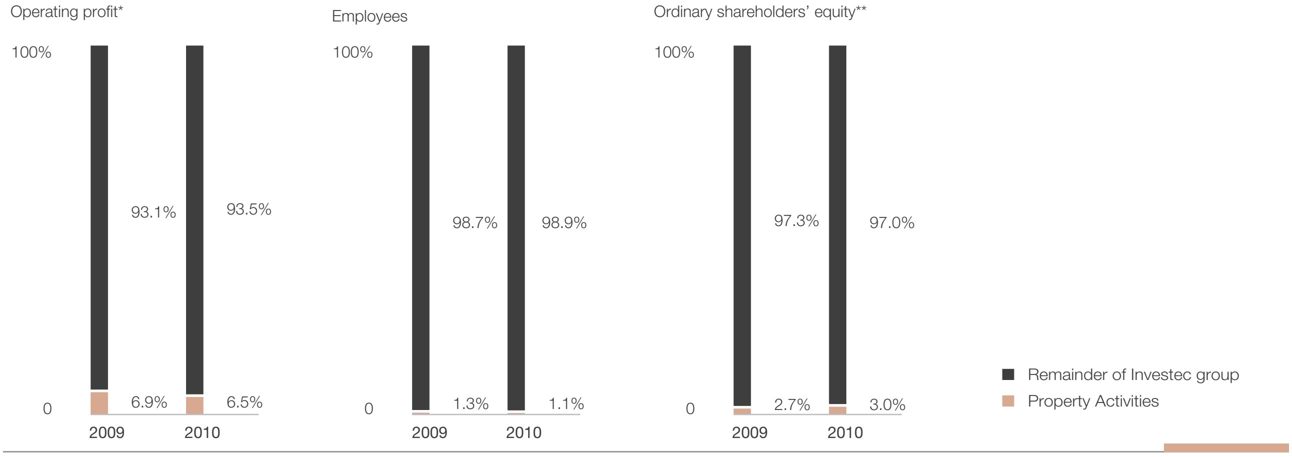
- International investment interest in South Africa and other emerging markets appears to be gaining momentum as uncertain economic conditions and low interest rates reduce the relative attractiveness of most developed countries where the credit crisis after effects continue to be felt
- The primary growth drivers of Investec Wealth and Investment revenues continue to be led by the risk and investment appetites of local investors. Levels of activity have improved as equity markets and other South African asset classes have risen although the more recent extent of some of these gains have caused a hiatus in this trend as investors adopt a more cautious stance
- Generally high levels of cash holdings relative to equities in an environment of declining interest rates and improving risk appetite should encourage a further broadening interest in our products and services as clients move from predominantly defensive investment modes towards a more active, growth orientated mindset. The well publicised risks to this scenario include slower than expected global growth as fiscal stimulus programmes begin to wind down as well as other unexpected events which may cause investors to doubt a sustained economic recovery.

Property Activities

Overview and financial analysis

- Operating profit increased by 39.8% to £16.4 million, contributing 6.5% to group profit.

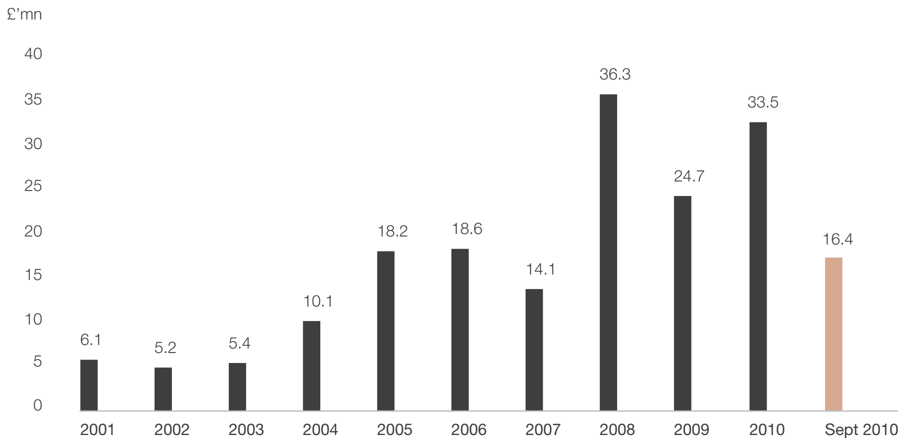
Contribution analysis



* *Before goodwill, non-operating items, acquired intangibles, taxation and after minorities (excluding Group Services and Other Activities).*

** *As calculated on page 34.*

Operating profit^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Property Activities

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	(3 887)	(3 812)	(75)	2.0%
Net fee and commission income	10 974	6 146	4 828	78.6%
Other income	18 576	17 295	1 281	7.4%
Total operating income	25 663	19 629	6 034	30.7%
Admin expenses and depreciation	(9 255)	(7 896)	(1 359)	17.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	16 408	11 733	4 675	39.8%
UK and Europe	(443)	619	(1 062)	(>100.0%)
Southern Africa	14 540	9 464	5 076	53.6%
Australia	2 311	1 650	661	40.1%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	16 408	11 733	4 675	39.8%
Ordinary shareholders' equity*	91 860	62 376	29 484	47.3%
ROE (pre-tax)*	25.5%	28.6%		
Cost to income ratio	36.1%	40.2%		
Operating profit per employee (£'000)	207.7	152.4	55.3	36.3%

* *As calculated on pages 34 and 36.*

The variance in operating profit over the period can be explained as follows:

- In South Africa, the revaluation of investment properties net of funding costs amounted to R144 million (2009: R136 million). The property portfolio is trading well and has earned a number of fees in the current period
- The UK property business did not conclude any deals in the current period. Annuity fees are higher reflecting an increase in the size of the GLL Global Special Opportunities (GSO) Real Estate Fund.

Analysis of key earnings drivers (funds under management)

Total funds under management as at	30 Sept 2010	31 March 2010	% change	30 Sept 2010	31 March 2010	% change
	£'million			Home currency 'million		
UK and Europe	63	73	(13.7%)	£63	£73	(13.7%)
Southern Africa	47	61	(23.0%)	R518	R677	(23.5%)
Australia	152	152	0.0%	A$248	A$252	(1.6%)
	262	286	(8.4%)			

Total funds under management as at	30 Sept 2009	31 March 2009	% change	30 Sept 2009	31 March 2009	% change
	£'million			Home currency 'million		
UK and Europe	28	18	55.6%	£28	£18	55.6%
Southern Africa	57	62	(8.1%)	R688	R 846	(18.7%)
Australia	139	122	13.9%	A$252	A$252	0.0%
	224	202	10.9%			

Developments

UK and Europe

- The development of the Global REITs product is progressing and the aim is to launch this product in 2011
- The Investec Big Ben Property Fund Limited launch was postponed to the second half of calendar year 2011. The company seeks to invest in the commercial property markets of Great Britain by unearthing opportunities that generate solid income streams and unlock value for shareholders. The company is projected to raise approximately £80 million and gear £120 million.
- The global property products, i.e. investment in Investec GLL GSO Real Estate Fund I, UK REITs, Australian REITs and Investec Big Ben Property Fund provides a broader and diverse range of international property investment products for South African and international investors.

Divisional and segmental review

Property Activities

Southern Africa

- Market conditions in the direct property environment are still uncertain and difficult to anticipate but the division's direct holdings are generally in a comfortable space as far as holding costs and acquisition prices are concerned, thereby allowing the business to be cautious and patient
- The ability to fund new grass roots developments has improved with the reduction of interest rates. However, tenant rentals across the board are stagnant and therefore acceptable commencing yields to commence with a new development remain challenging
- Aligned to our strategy to cement our status as premier industrial developers and traders of industrial property, the business concluded two major transactions in this space
- The business established a fully focused team to actively penetrate the office market
- The challenges in raising capital for an unlisted product has resulted in a change in strategy to list a South African Property Fund during 2011 which will improve the ability to raise capital
- Aligned to our objectives the short-term performance of the South African portfolios has improved
- Total assets under management have grown to R11 billion (March 2010: R9.9 billion) in the South African listed property sector.

Australia

- At 30 September 2010, the Investec Property Opportunity Fund (IPOF1) had invested A$100 million of equity, with A$16 million of uncalled capital still available
- Moving into its final year, IPOF1's assets have started to mature and the return of investor capital has commenced
- The business is in the process of raising capital for Investec Property Opportunity Fund No. 2 (IPOF2) due to close in October 2010
- Total funds under management are A$248 million
- Investec Property Investments has developed an investment business to complement the existing business, thus enabling clients to invest in listed Australian REITs

Outlook, risks and opportunities

Although the global market remains volatile, the business believes that there are opportunities to acquire direct and listed property at attractive prices.

The business outlook for the next six months remains cautiously optimistic with the annuity business supported by the diverse property product development initiatives that are underway.

UK and Europe

- Investment in UK REITs and Australian REITs provides access for our clients to a diverse portfolio of prime properties across different sectors in the UK, Australia and in some cases the United States of America and Europe
- The business aims to fully invest the Investec GLL GSO Real Estate Fund I
- The business shall continue to strengthen the investment business in Investec's jurisdictions, specifically the UK and Australia.

Southern Africa

- The lack of commitment from tenants experienced in the property market remains a risk to our business and could improve in the second quarter next year
- The business will continue to embark on trading and development of identified assets on a deal by deal basis
- The business plans to launch a South African Property Fund during 2011 and raise capital through a listing
- The proposed new listings in the sector enhances capacity to procure new business and grow assets under management
- The business aims to be the first port of call for institutional and private investors by creating attractive products and generating superior returns.

Australia

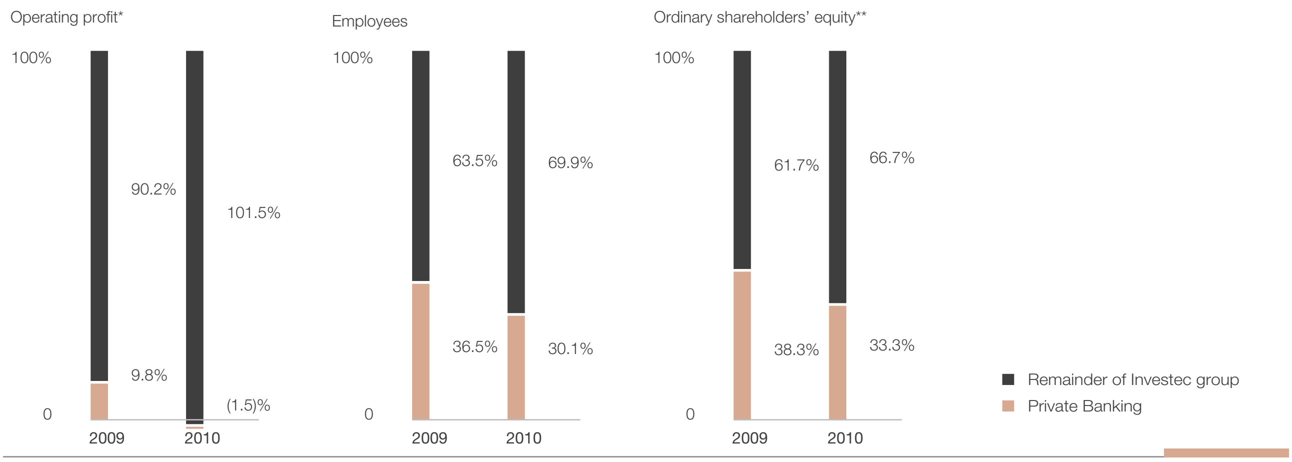
- Australian property fundamentals appear to be stabilising with the market beginning to show signs of recovery
- With capital still available to invest and the launch of additional fund opportunities the business is well positioned to take advantage of opportunities for property and development acquisitions as they arise
- The business expects to develop an Australian full discretionary segregated portfolio business by the end of the current financial year.

Private Banking

Overview and financial analysis

- The Private Banking division reported a loss of £3.9 million
- Lending activity levels have declined and impairment losses on loans and advances have increased as a result of the depressed economic environment
- Key earnings drivers:
  - Core loans and advances increased by 0.2% to £13.0 billion since 31 March 2010
  - The deposit book increased by 3.3% to £12.2 billion since 31 March 2010
- The Private Bank Wealth Management specialisation moved to the Wealth and Investment division with effect from 1 April 2010 in South Africa and 1 July 2010 in the UK and Europe.

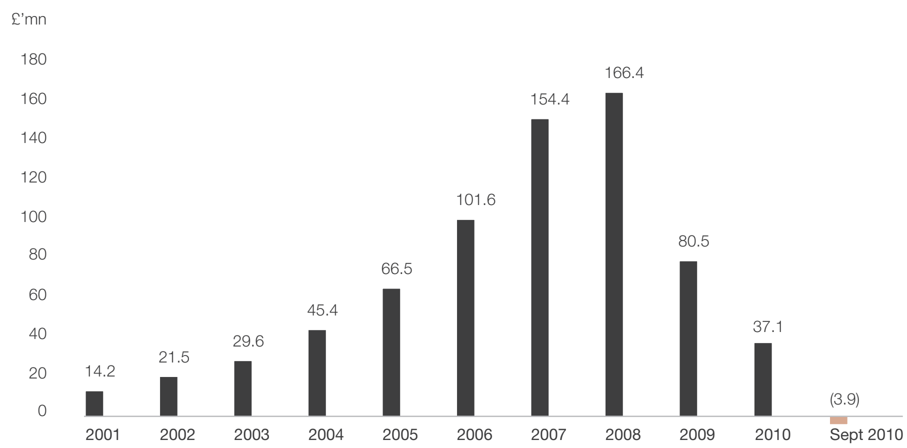
Contribution analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after minorities (excluding Group Services and Other Activities).*

** *As calculated on page 34.*

Operating profit/(loss)^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Private Banking

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	152 200	136 718	15 482	11.3%
Net fee and commission income	30 445	40 092	(9 647)	(24.1%)
Principal transactions	11 549	64	11 485	>100.0%
Other operating income and operating income from associates	172	139	33	23.7%
Total operating income	194 366	177 013	17 353	9.8%
Impairment losses on loans and advances	(72 262)	(53 522)	(18 740)	35.0%
Admin expenses and depreciation	(125 983)	(106 782)	(19 201)	18.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	(3 879)	16 709	(20 588)	(>100.0%)
UK and Europe	(12 486)	8 754	(21 240)	(>100.0%)
Southern Africa	14 150	8 283	5 867	70.8%
Australia	(5 543)	(328)	(5 215)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	(3 879)	16 709	(20 588)	(>100.0%)
Ordinary shareholders' equity*	1 023 696	900 805	122 891	13.6%
ROE (pre-tax)*	(0.5%)	4.9%		
Cost to income ratio	64.8%	60.3%		
Operating profit per employee (£'000)*	(1.8)	7.6	(9.4)	(>100.0%)

* *As calculated on pages 34 and 36.*

The variance in operating profit over the period can be explained as follows:

- The increase in net interest income is mainly due to normalised lending margins and an improvement in the self funding ratio in South Africa. In Europe net interest income has been negatively impacted by increased liquidity levels
- Net fees and commissions receivable decreased in Europe as a result of lower lending activity levels, the closure of the trust office in Guernsey and the successful migration of the Private Bank Wealth Management business to the new Investec Wealth and Investment pillar. In South Africa net fees and commissions receivable also decreased due to the migration of the Private Bank Wealth Management business. In Australia net fees and commissions receivable remained at levels similar to the prior year
- Principal transactions include the revaluations and realisations of equity and warrant positions held. The increase in principal transactions reflects the increased value of equity held in the European and South African businesses
- Impairments have increased across all geographies, notably in the Irish and South African businesses
- Expenses increased by 9.2% on a currency neutral basis with the balance of the 18.0% increase due to the weakening of Pounds Sterling. In South Africa and Australia the increase relates to increased headcount. In Europe the increase is mainly due to the high legal fees and increased insurance costs related to the Trust business.

Analysis of key earnings drivers (loans and deposits)

£'million As at	UK and Europe 30 Sept 2010	UK and Europe 31 March 2010	Southern Africa 30 Sept 2010	Southern Africa 31 March 2010	Australia 30 Sept 2010	Australia 31 March 2010	Total 30 Sept 2010	Total 31 March 2010	% change
Residential property investment	510	532	218	168	126	146	854	846	1.1%
Residential mortgages (owner occupied)	178	178	2 548	2 189	50	41	2 776	2 408	15.3%
Residential property development	744	792	437	281	181	196	1 362	1 269	7.2%
Commercial property investment	1 080	1 160	3 114	3 267	502	568	4 696	4 995	(6.0%)
Commercial property development	422	421	467	647	87	34	976	1 102	(11.4%)
Cash and securities backed lending	173	190	385	378	25	19	583	587	(0.7%)
Asset backed lending	177	226	367	339	579	529	1 123	1 094	2.6%
Unlisted securities and general corporate lending	103	75	303	336	111	99	517	510	1.4%
Unsecured lending	58	74	124	130	50	48	232	252	(7.9%)
Total gross core loans and advances	3 445	3 648	7 963	7 735	1 711	1 680	13 119	13 063	0.4%
Specific impairments	(65)	(58)	(43)	(27)	(23)	(30)	(131)	(115)	14.8%
Portfolio impairments	(17)	(5)	(14)	(10)	(1)	(1)	(32)	(16)	95.9%
Net core loans and advances	3 363	3 585	7 906	7 698	1 687	1 649	12 956	12 932	0.2%
Asset quality*									
Gross defaults	258	205	482	400	208	211	948	815	16.3%
Collateral value	(191)	(149)	(617)	(521)	(219)	(206)	(1 027)	(876)	17.4%
Impairments	(82)	(63)	(57)	(37)	(24)	(31)	(163)	(131)	25.2%
Net defaults (limited to zero)	-	-	-	-	-	-	-	-	-
Gross defaults as a % of gross core loans and advances	7.5%	5.6%	6.1%	5.2%	12.2%	12.5%	7.2%	6.2%	
Defaults (net of impairments) as a % of net core loans and advances	5.2%	4.0%	5.4%	4.7%	10.9%	10.9%	6.1%	5.3%	
Credit loss ratio	1.8%	1.5%	0.7%	0.6%	1.4%	1.3%	1.1%	1.0%	

* *Further information is provided on pages 49 to 55.*

Net core loans and advances as at	30 Sept 2010 £'million	31 March 2010 £'million	% change	30 Sept 2010 Home currency 'million	31 March 2010 Home currency 'million	% change
UK and Europe	3 363	3 585	(6.2%)	£3 363	£3 585	(6.2%)
Southern Africa	7 906	7 698	2.7%	R86 953	R85 500	1.7%
Australia	1 687	1 649	2.3%	A$2 747	A$2 729	0.7%
Net core loans and advances	12 956	12 932	0.2%			

Total deposits as at	30 Sept 2010 £'million	31 March 2010 £'million	% change	30 Sept 2010 Home currency 'million	31 March 2010 Home currency 'million	% change
UK and Europe	6 127	6 308	(2.9%)	£6 127	£6 308	(2.9%)
Southern Africa	4 902	4 607	6.4%	R53 921	R51 181	5.4%
Australia	1 127	851	32.4%	A$1 837	A$1 413	30.0%
Total deposits	12 156	11 766	3.3%			

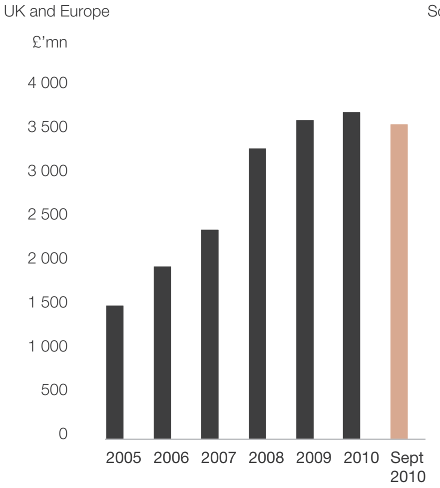
Private Banking

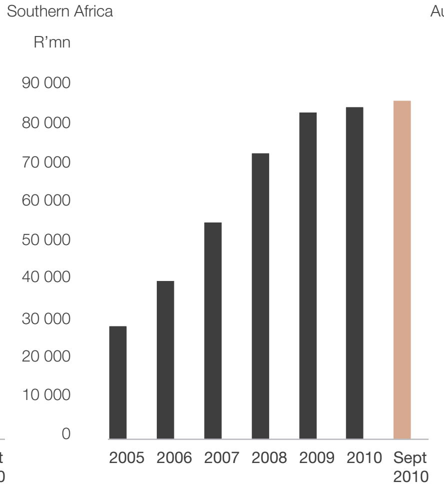
Net core loans and advances as at	30 Sept 2009	31 March 2009 £'million	% change	30 Sept 2009	31 March 2009 Home currency 'million	% change
UK and Europe	3 595	3 645	(1.4%)	£3 595	£3 645	(1.4%)
Southern Africa	7 044	6 191	13.8%	R84 430	R84 048	0.5%
Australia	1 416	1 240	14.2%	A$2 563	A$2 561	0.1%
Net core loans and advances	12 055	11 076	8.8%			

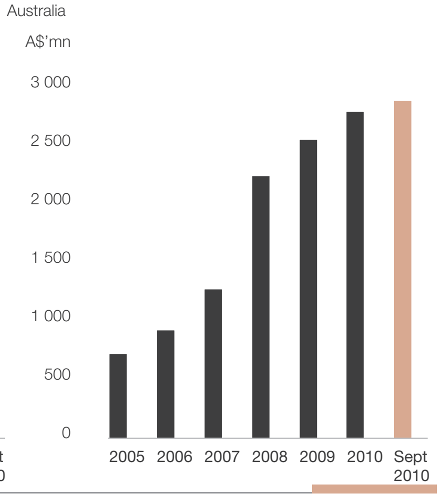
Total deposits as at	30 Sept 2009	31 March 2009 £'million	% change	30 Sept 2009	31 March 2009 Home currency 'million	% change
UK and Europe	4 888	4 077	19.9%	£4 888	£4 077	19.9%
Southern Africa	4 098	2 990	37.1%	R49 114	R40 586	21.0%
Australia	731	657	11.3%	A$1 324	A$1 358	(2.5%)
Total deposits	9 717	7 724	25.8%			

Further analysis of key earnings drivers

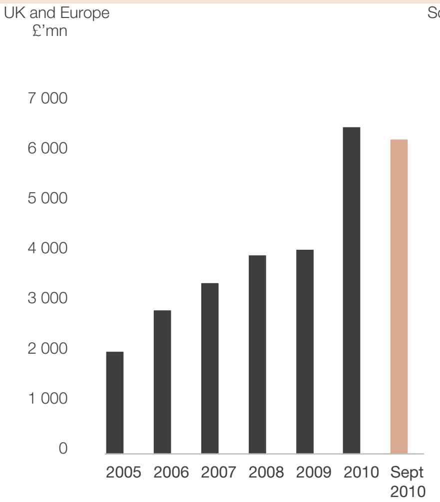
Net core loans and advances

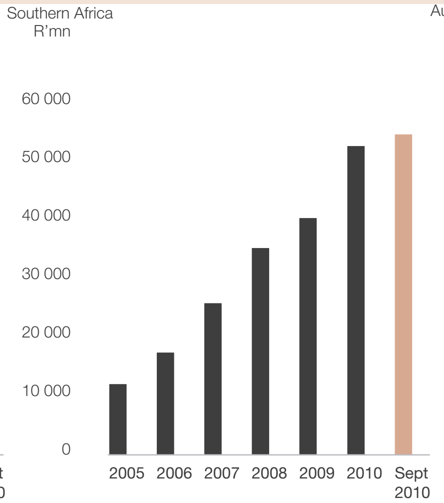


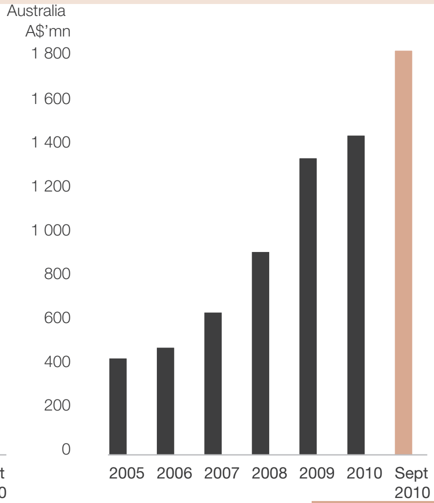




Deposits





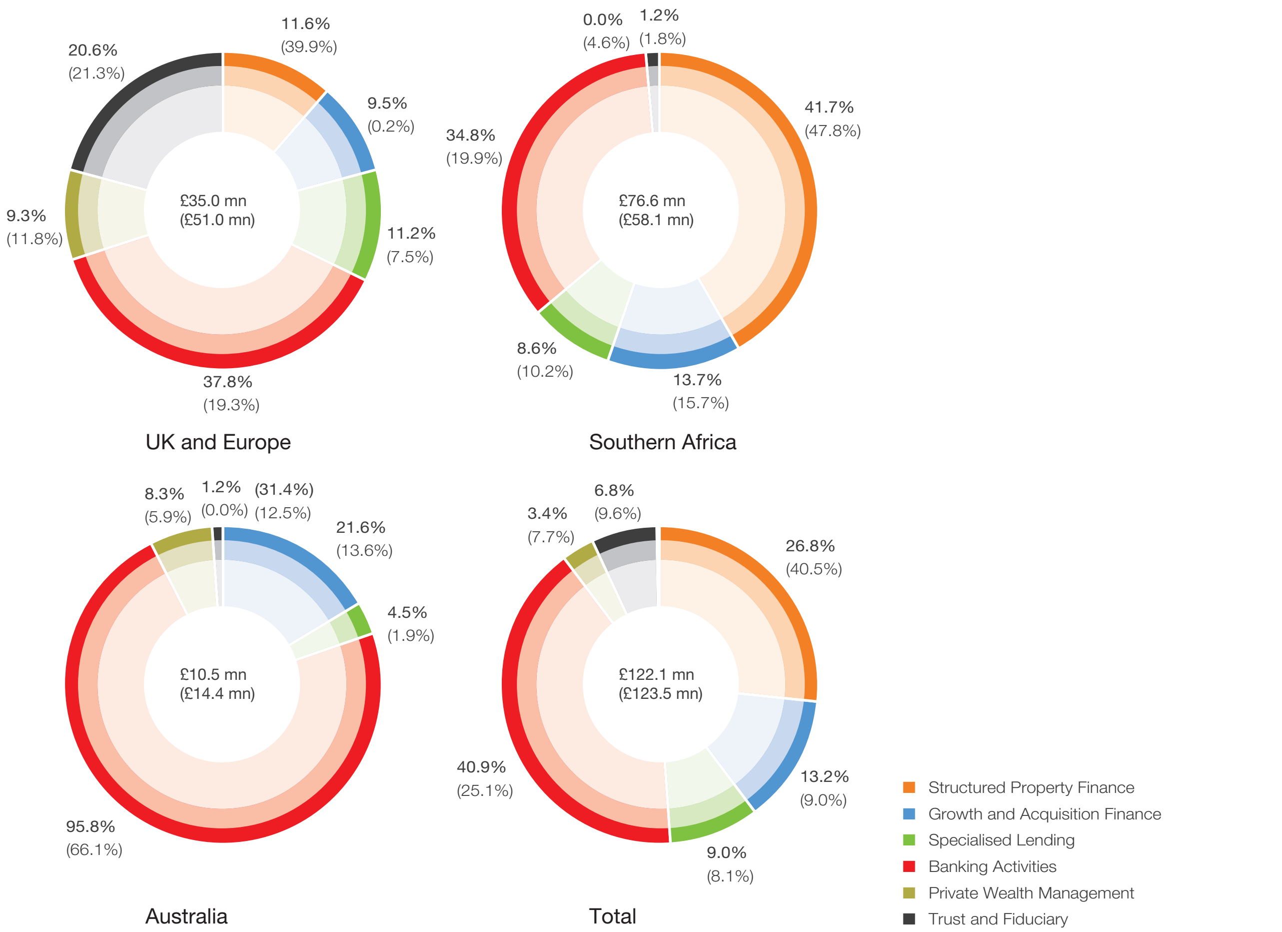


Trend reflects numbers as at the year ended 31 March unless otherwise stated.

Private Banking

Analysis of total operating income (post impairments) by geography and area of specialisation

Information as at 30 September 2010 with 30 September 2009 comparatives in brackets



Developments

UK and Europe

- Private Bank UK and Europe can be analysed under three distinct sub-sets for the half year to September 2010: the banking business excluding Ireland, Ireland and the Trust Group
- The banking business (excluding Ireland) has performed well as we start to see a moderate increase in activity levels
  - Lending activity levels have shown slow, but stable growth month on month for the past 12 months
  - Lending margins are still under pressure due to the higher cost of funding and high levels of surplus liquidity held. The Private Bank continues to reprice its assets where possible to reflect the current cost of funding
  - Deposit raising activity has slowed down as the group focuses on decreasing the cost of funding and managing the surplus liquidity.
- The Wealth Management division has been successfully migrated to the new Investec Wealth and Investment pillar with effect from 1 July 2010
- The operating environment in our Irish based private banking business continues to be challenging as macro economic conditions in this region worsened during the period under review
- The Trust Group has experienced an extensive rationalisation resulting in the closure of the Guernsey Trust office
- Focus on cost containment continued during this period resulting in a reduction in headcount by 34.

Private Banking

Southern Africa

- The Wealth Management division was transferred into the newly established Investec Wealth and Investment division from 1 April 2010
- Deposit margins have returned to more normalised levels as a result of a more stable interest rate environment. Book growth remains a challenge but the deposit drive is an ongoing initiative and new deposit products are being developed in an effort to drive growth through a more distinctive offering
- Private Bank brand remains very strong through the cycle
- Lending margins have been restored as a result of repricing of the book to offset the increased cost of funding. Activity levels are improving, but at a very slow rate.

Australia

- The division has driven further growth in Private Client Treasury deposits with a view to increasing the proportion of funding from this source over time. Increased brand awareness and client aversion to equity investment over the period has aided this initiative
- The division is in the process of completing the information technology investment necessary to launch an end to end online retail treasury offering during the second half of financial year 2011
- The Professional Finance business unit continues to perform well. Further investment in front line staff and additional products and services has been made over the period, with a view to establishing a market leadership position in this niche
- The proportion of the advances portfolio associated with lending to high net worth property developers and investors continues to decline through a moderate reduction in these exposures, together with a solid increase in exposures to medical and accounting professionals
- Our improved relative competitor positioning has provided enhanced opportunities to deliver a client centric and integrated financial solutions offering to wealthy, active entrepreneurs. Our Growth and Acquisition Finance, Specialised Lending, and Structured Property Finance business units have been complemented by the addition of a Private Client Corporate Advisory capability and integrated into one unit focused on select entrepreneur community groups.

Outlook, risks and uncertainties

UK and Europe

- The Private Bank has changed its emphasis over the past six months with the business now on the front foot, looking for opportunities as we anticipate a gradual recovery
- The key objectives for the next period are still in line with those stated in March 2010:
  - Drive lending activity with a focus on diversification of the loan portfolio
  - Reprice the assets at every opportunity
  - Drive down the cost of funding
  - Continued effort and attention in managing the default book
  - Work with Investec Wealth and Investment in the development of an integrated, seamless Wealth Management offering for the Private Bank clients
  - Continued focus on cost containment.

Southern Africa

- The key objectives for the next period are:
  - Continue building a strong annuity business with a focus on low risk residential lending
  - Growing our client base aggressively within our target market
  - Aligning processes and structures to support a client focused business
  - Ongoing focus on default deals to ensure actual losses are minimised.
- Attracting retail deposits remains challenging in the current low interest environment.

Australia

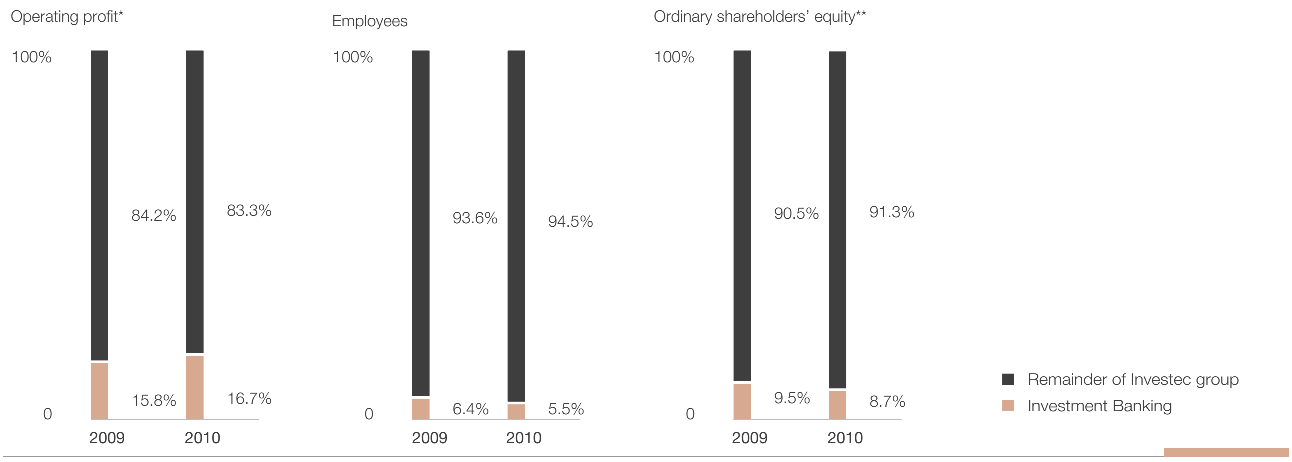
- The demand for structured credit remains relatively muted as the market anticipates further interest rate increases, although the opportunity exists for the division to achieve improved activity levels off a low base
- Impairments are expected to remain at current levels during the second half of financial 2011 with an improvement anticipated during the second half of financial 2012.

Investment Banking

Overview and financial analysis

- Operating profit increased by 58.7% to £42.5 million, contributing 16.7% to group profit.

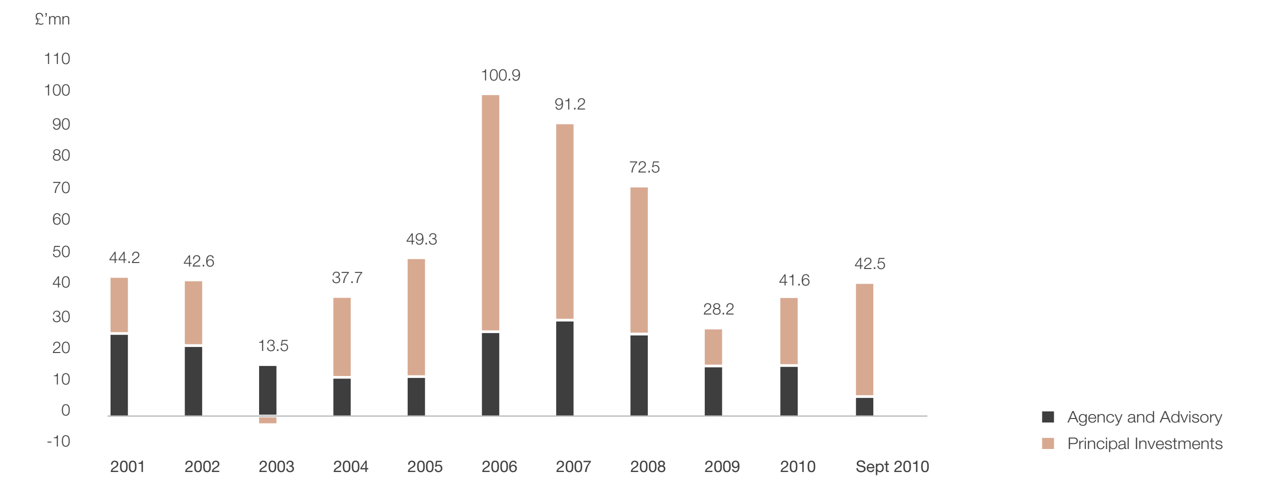
Contribution analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after minorities (excluding Group Services and Other Activities).

** As calculated on page 34.

Operating profit^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Investment Banking

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	(1 950)	(6 389)	4 439	69.5%
Net fee and commission income	40 998	29 537	11 461	38.8%
Principal transactions	61 722	49 500	12 222	24.7%
Other operating income and operating income from associates	4 877	7 045	(2 168)	(30.8%)
Total operating income	105 647	79 693	25 954	32.6%
Impairment losses on loans and advances	218	3	215	>100.0%
Admin expenses and depreciation	(70 924)	(64 939)	(5 985)	9.2%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	34 941	14 757	20 184	>100.0%
Earnings attributable to minority interests	7 569	12 027	(4 458)	(37.1%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	42 510	26 784	15 726	58.7%
Corporate Finance	4 595	(934)	5 529	>100.0%
Institutional Research, Sales and Trading	(1 072)	2 727	(3 799)	(>100.0%)
Principal Investments (Direct Investments and Private Equity)	38 987	24 991	13 996	56.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	42 510	26 784	15 726	58.7%
UK and Europe	8 816	(1 527)	10 343	>100.0%
Southern Africa	36 845	27 192	9 653	35.5%
Australia	(3 151)	1 119	(4 270)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	42 510	26 784	15 726	58.7%
Ordinary shareholders' equity*	266 541	223 437	43 104	19.3%
ROE (pre-tax)*	26.9%	18.7%		
Cost to income ratio	67.1%	81.5%		
Cost to income ratio excluding investments that are consolidated	55.9%	57.1%		
Operating profit per employee (£'000)*	112.9	73.6	39.3	53.4%

* *As calculated on pages 34 and 36.*

A further analysis of operating profit

30 Sept 2010 £'000	UK and Europe	Southern Africa	Australia	Total
Corporate Finance	4 538	1 875	(1 818)	4 595
Institutional Research, Sales and Trading	(530)	(542)	–	(1 072)
Principal Investments (Direct Investments and Private Equity)	13 996	35 512	(31)	49 477
	18 004	36 845	(1 849)	53 000
Consolidated investments	(9 188)	–	(1 302)	(10 490)
Total	8 816	36 845	(3 151)	42 510

30 Sept 2009 £'000	UK and Europe	Southern Africa	Australia	Total
Corporate Finance	(1 697)	2 153	(1 390)	(934)
Institutional Research, Sales and Trading	1 942	785	-	2 727
Principal Investments (Direct Investments and Private Equity)	9 934	24 254	1 579	35 767
	10 179	27 192	189	37 560
Consolidated investments	(11 706)	-	930	(10 776)
Total	(1 527)	27 192	1 119	26 784

Investment Banking

Corporate Finance and Institutional Research, Sales and Trading

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	(738)	(284)	(454)	(>100.0%)
Net fee and commission income	40 436	26 647	13 789	51.7%
Principal transactions	6 196	9 513	(3 317)	(34.9%)
Total operating income	45 894	35 876	10 018	27.9%
Admin expenses and depreciation	(42 371)	(34 083)	(8 288)	24.3%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	3 523	1 793	1 730	96.5%

The variance in operating profit over the period can be explained as follows:

- The UK Corporate Finance business has benefited from increased fees earned on a number of corporate transactions while fees received in the South African and Australian businesses are in line with the prior period
- The Institutional Research, Sales and Trading operations in the UK and South Africa continued to be negatively impacted by challenging market conditions.

Principal Investments

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	(1 655)	(6 105)	4 450	(72.9%)
Net fee and commission income	406	2 890	(2 484)	(86.0%)
Principal transactions	56 125	39 987	16 138	40.4%
Other operating income and operating income from associates	4 877	7 045	(2 168)	(30.8%)
Total operating income	59 753	43 817	15 936	36.4%
Impairment losses on loans and advances	218	3	215	>100.0%
Admin expenses and depreciation	(28 553)	(30 856)	3 302	(10.7%)
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	31 418	12 964	19 453	>100.0%
Earnings attributable to minority interests	7 569	12 027	(4 458)	(37.1%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	38 987	24 991	14 995	60.0%

The variance in operating profit over the period can be explained as follows:

- Principal transaction income represents the year to date cumulative increase/decrease in the value of the division's Direct Investments and Private Equity portfolios, the profit/loss on realisation of these investments and dividends and other income received (further analysis provided below)
- All other income categories largely relate to our investment in two Private Equity investments which are consolidated into our results. These investments generated a net loss before taxation of £10.5 million.

Value of trading investments on balance sheet as at 30 September 2010

£'million	Listed	Unlisted	Advances	Total
UK Private Equity and Direct Investments	19	48	–	67
SA Direct Investments	21	140	9	170
SA Private Equity	–	296	31	327
Australia	–	7	–	7
Hong Kong Direct Investments	–	14	–	14
	40	505	40	585

Value of trading investments on balance sheet as at 30 September 2009

£'million	Listed	Unlisted	Advances	Total
UK Private Equity and Direct Investments	17	26	–	43
SA Direct Investments	29	105	19	153
SA Private Equity	–	230	35	265
Australia	7	22	–	29
Hong Kong Direct Investments	11	29	–	40
	64	412	54	530

Investment Banking

Analysis of operating profit for the six months to 30 September 2010

£'million	Realised	Un-realised	Divi-dends	Funding costs	Principal trans-actions total	Interest and other	Net income	Ex-penses	Net profit	Minori-ties	Oper-ating profit
UK Private Equity and Direct Investments	–	4.8	–	–	4.8	0.3	5.1	(17.7)	(12.6)	7.3	(5.3)
SA Direct Investments	8.1	20.9	0.1	(5.4)	23.7	(1.0)	22.7	(0.7)	22.0	–	22.0
SA Private Equity	–	15.7	4.2	(1.9)	18.0	(0.2)	17.8	(4.3)	13.5	–	13.5
Australia	–	–	–	–	–	(0.1)	(0.1)	(1.5)	(1.6)	0.3	(1.3)
Hong Kong Direct Investments	8.1	1.5	–	–	9.6	4.9	14.5	(4.4)	10.1	–	10.1
Total	16.2	42.9	4.3	(7.3)	56.1	3.9	60.0	(28.6)	31.4	7.6	39.0

Analysis of operating profit for the six months to 30 September 2009

£'million	Realised	Un-realised	Divi-dends	Funding costs	Principal trans-actions total	Interest and other	Net income	Ex-penses	Net profit	Minori-ties	Oper-ating profit
UK Private Equity and Direct Investments	–	3.2	0.2	–	3.4	(0.4)	3.0	(19.7)	(16.7)	11.9	(4.8)
SA Direct Investments	1.7	(2.4)	0.3	(6.0)	(6.4)	0.2	(6.2)	(0.4)	(6.6)	–	(6.6)
SA Private Equity	12.3	25.3	4.1	(3.6)	38.1	1.3	39.4	(8.5)	30.9	–	30.9
Australia	0.3	–	0.4	–	0.7	2.7	3.4	(1.0)	2.4	0.1	2.5
Hong Kong Direct Investments	–	4.2	–	–	4.2	0.1	4.3	(1.3)	3.0	–	3.0
Total	14.3	30.3	5.0	(9.6)	40.0	3.9	43.9	(30.9)	13.0	12.0	25.0

Developments

Corporate Finance

UK and Europe

- The six month period was characterised by reasonable M&A activity, an increase in debt advisory mandates but limited fundraising activity
- We completed 9 M&A transactions with a value of £1.5 billion (2009: 6 transactions with a value of £0.4 billion). Most notable was the sale of Chloride Group to Emerson Electric
- We were involved in 2 fundraisings during the period raising in aggregate £287 million (2009: 3 fundraisings raising in aggregate £197 million)
- We continue to build the quality and size of the corporate client list, gaining 6 new brokerships during the period. We now have 89 quoted clients with an average market cap of £323 million, of which 28 are FTSE 250 companies.

Southern Africa

- We have maintained our strong positioning
- Our focus was on local and cross-border M&A, capital raisings and restructuring transactions
- We retained our major clients and gained several new mandates during the period
- Numerous new mandates were entered into; however, it remains difficult to close deals given current market conditions.

Australia

- Strengthened pipeline with key advisory mandates for Aspen Pharmacare and Spark Infrastructure
- Our role in advising KKR on the Healthscope bid has strengthened the advisory brand and established Investec as a leveraged finance arranger
- A strengthened and reorganised Sydney based team is well positioned to drive the business going forward
- The outlook for M&A is strengthening with transaction volume improved and lending markets opening.

Investment Banking

Institutional Research, Sales and Trading

UK and Europe

- Against a backdrop of weak volumes and continuing pressure on brokerage rates we have managed to grow secondary commissions
- We have continued to strengthen our business with additional hires in research, sales and trading
- We continue to expand the capacity of our New York sales team
- In the Extel survey we achieved 1st place in the category of Leading Pan European Brokerage firm for UK small cap stocks, as well as 4th place in the UK Starmine top analyst awards across all UK brokers.

Southern Africa

- Our equity research activity established itself as a top rated offering during the period, ranking 2nd in the FM Survey (this was in the All Fund Manager and Sectors Weighted category)
- Our London distribution hub was strengthened during the period with the appointment of two new staff members. The New York team has recorded positive traction, gaining market share and opening numerous new accounts
- The execution desk was restructured during the period and a new head was appointed
- The Prime Broking operation was negatively impacted by the closing down of 2 key hedge fund accounts. The business was resized to take account of these events and is now in better shape to move forward
- The Africa (excluding SA) initiative has made good progress. Research on niche sectors has been released and execution joint ventures in all the major markets set-up.

Australia

- We have all the necessary infrastructure in place and have received the required licences
- New accounts have been opened and the trading activities are going well
- We are publishing quarterly research which is receiving very positive investor feedback
- We have enhanced the sales team with one new hire.

Principal Investments

Southern Africa

- The Direct Investments portfolio increased to R1 870 million at 30 September 2010 (March 2010: R1 587 million). The performance is in line with the prior year
- The Private Equity portfolio was R3 592 million at 30 September 2010 (March 2010: R3 301 million). We continue to expand the capacity of our private equity investments through the acquisition of one new private equity asset, one bolt-on acquisition and further capital projects and expenditure within the portfolio. We have also increased our shareholdings in three of our equity investments as we believe these represent good value. The benefits of these activities will only be felt in future financial years. The increase in value in the current year was driven by a good performance of the underlying investments and acquisitions mentioned.

Australia

- Total Private Equity funds under management amount to A$460 million. In addition, Direct Investments co-invests with the Private Equity funds
- Private Equity has made two new investments during the period, one in the wealth management and insurance industry and the other in the telecommunications industry
- The investment portfolio continues to perform satisfactorily and is well placed to capitalise on the recovery in both global and local economies
- Private Equity has commenced the divestment process on one of its investments and is evaluating divestment strategies for two other investments
- Private Equity is proactively seeking to identify and evaluate new investment opportunities as the economic outlook and confidence generally continues to improve. A number of further potential opportunities have been identified and are at various stages of development.

Investment Banking

Outlook, risks and opportunities

Corporate Finance

- Whilst market conditions remain uncertain the pipeline in the UK business is looking more positive and includes a number of fundraisings
- M&A and restructuring transactions are expected to continue to drive activity at a reasonable level in South Africa
- The Australian M&A and capital markets remain challenging. We are seeing increased competition in M&A as established banks and new boutiques move into this area of the market. While the outlook for M&A seems to have improved slightly over the last 12 months, continuing economic uncertainty suggests M&A and capital markets will recover slowly.

Institutional Research, Sales and Trading

- Considering the improvements to the UK business through selective investment in sales, trading and research we believe that we are well positioned to gain further market share
- The quality of the South African Institutional platform has been strengthened over the period. The business is highly leveraged to the equity market and will benefit from any economic upswing. Key risks to the business remain: an ongoing skills shortage, activity levels on the market and any down pressure on brokerage rates
- The Australian business has significant potential but is not without a measure of risk. The team members who have been hired to grow this business have a considerable amount of high quality experience and an extensive client network; however, as this is a new business for Investec Bank Australia the coming 12 months will be critical to ensuring its success.

Principal Investments

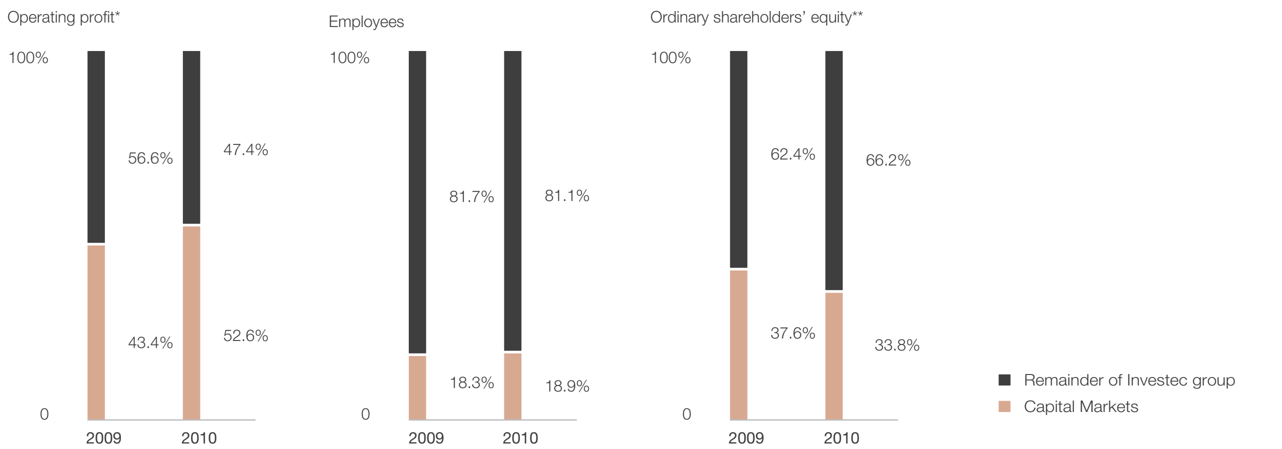
- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building black economic empowerment platforms in South Africa
- All of the companies in our Private Equity portfolio in South Africa are trading profitably in very difficult market conditions and the overall outlook remains positive for future growth
- The Australian business continues to add value to existing investments and is well placed to take advantage of new investment opportunities with uncalled commitments of $A210 million. The business is very active in originating new investment opportunities as the economic outlook and confidence generally improves. Two new investments were added in the first quarter of the 2011 financial year and a number of further potential opportunities have been identified and are at various stages of development.

Capital Markets

Overview and financial analysis

- Operating profit increased by 81.3% to £133.5 million, contributing 52.6% to group profit
- Core loans and advances have increased by 4.1% to £4.7 billion since 31 March 2010.

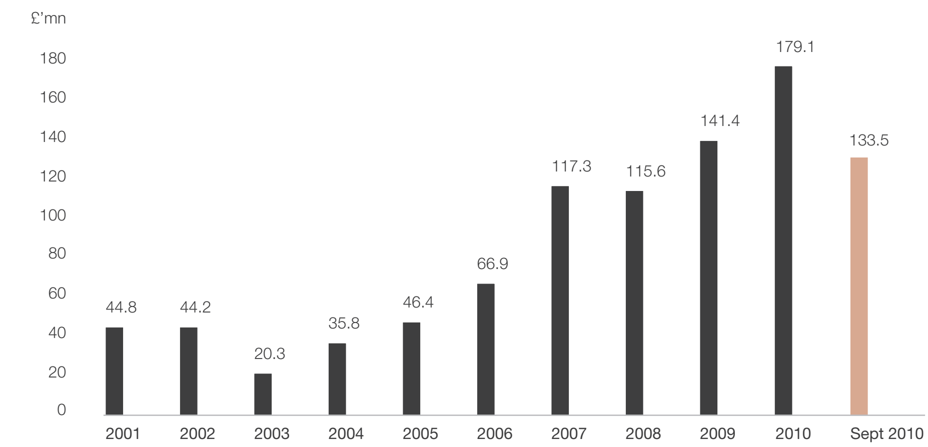
Contribution analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after minorities (excluding Group Services and Other Activities).*

** *As calculated on page 34.*

Operating profit^ - track record



^ *Trend reflects numbers as at the year ended 31 March unless otherwise stated. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.*

Capital Markets

Income statement analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income	156 430	156 311	119	0.1%
Net fee and commission income	54 120	36 906	17 214	46.6%
Principal transactions	107 979	80 643	27 336	33.9%
Other operating income and operating income from associates	–	63	(63)	100.0%
Total operating income	318 529	273 923	44 606	16.3%
Impairment losses on loans and advances	(39 458)	(72 264)	32 806	(45.4%)
Admin expenses and depreciation	(145 608)	(128 016)	(17 592)	13.7%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	**133 463**	**73 643**	**59 820**	**81.2%**
Earnings attributable to minority interests	43	(6)	49	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**133 506**	**73 637**	**59 869**	**81.3%**
UK and Europe	88 385	41 161	47 224	>100.0%
Southern Africa	40 364	30 695	9 669	31.5%
Australia	4 757	1 781	2 976	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**133 506**	**73 637**	**59 869**	**81.3%**
Ordinary shareholders' equity*	1 039 718	882 780	156 938	17.8%
ROE (pre-tax)*	24.5%	16.1%		
Cost to income ratio	45.7%	46.7%		
Operating profit per employee (£'000)*	113.4	70.4	43.0	61.1%

* *As calculated on pages 34 and 36.*

The variance in operating profit over the year can be explained as follows:

- Net interest income is in line with the prior year. The division has benefitted from the investment in higher yielding trading assets. This has been offset by an increase in surplus cash held and a decline in the size of the Kensington portfolio of assets. Lending activity levels are beginning to improve, and the division has seen growth in its preference share, project finance and asset finance portfolios
- The increase in net fee and commission income is largely attributable to a strong performance from the Structured Equity Derivatives business given a larger client base
- The increase in principal transactions largely reflects a strong performance from the Principal Finance business in the UK. The South African business benefited from the revaluation of certain equity positions held and a good performance from the forex trading desk. The Australian division was successful in realising gains on the sale of certain investments
- Impairment losses on loans and advances reflect impairments raised in the UK business
- Expenses have increased largely due to an increase in headcount and related expenses.

Analysis of total operating income by geography

£'000	30 Sept 2010	30 Sept 2009	Variance
UK and Europe	219 541	185 486	34 055
Trading Activities	54 976	30 119	24 857
Principal Finance	89 911	43 086	46 825
Commodities and Resource Finance	(202)	2 569	(2 771)
Structured and Asset Finance	31 563	12 750	18 813
Kensington	43 293	96 962	(53 669)
Southern Africa	87 533	76 077	11 456
Trading Activities	13 400	12 074	1 326
Treasury Activities/Balance Sheet Activities	25 408	26 523	(1 115)
Financial Products	13 888	12 763	1 125
Lending Activities	34 837	24 717	10 120
Australia	11 455	12 360	(905)
Trading Activities	308	912	(604)
Treasury Activities/Balance Sheet Activities	281	4 995	(4 714)
Financial Products	4 314	1 742	2 572
Lending Activities	6 044	3 575	2 469
Structured Finance	508	1 136	(628)
Total	318 529	273 923	44 606

Capital Markets

Analysis of core loans and advances (excluding Kensington)

£'million As at	UK and Europe 30 Sept 2010	UK and Europe 31 March 2010	Southern Africa 30 Sept 2010	Southern Africa 31 March 2010	Australia 30 Sept 2010	Australia 31 March 2010	Total 30 Sept 2010	Total 31 March 2010	% change
Preference share finance	–	–	747	704	–	–	747	704	6.1%
Acquisition finance	702	638	320	383	–	–	1 022	1 021	0.1%
Small ticket asset finance	321	351	–	–	–	–	321	351	(8.6%)
Principal finance	451	432	–	–	90	61	541	493	9.7%
Project finance	218	134	183	182	62	69	463	385	20.3%
Structured finance	156	157	1 264	1 225	9	10	1 429	1 392	2.7%
Resource finance and commodities	67	65	87	98	40	31	194	194	–
Total gross core loans and advances	1 915	1 777	2 601	2 592	201	171	4 717	4 540	3.9%
Specific impairments	(15)	(23)	–	–	(5)	(5)	(20)	(28)	(28.6%)
Portfolio impairments	(2)	(2)	(2)	(1)	–	–	(4)	(3)	33.3%
Net core loans and advances	1 898	1 752	2 599	2 591	196	166	4 693	4 509	4.1%
Asset quality*									
Gross defaults	85	66	4	6	12	12	101	84	20.2%
Collateral value	(67)	(44)	(4)	(14)	(7)	(7)	(79)	(65)	21.5%
Impairments	(18)	(25)	(2)	(1)	(5)	(5)	(24)	(31)	(22.6%)
Net defaults (limited to zero)	–	–	–	–	–	–	–	–	–
Gross defaults as a % of gross core loans and advances	4.5%	3.7%	0.1%	0.3%	6.0%	6.9%	2.1%	1.9%	
Defaults (net of impairments) as a % of net core loans and advances	3.6%	2.4%	0.1%	0.2%	3.7%	4.2%	1.6%	1.2%	
Credit loss ratio	1.1%	1.7%	–	0.4%	–	4.9%	0.5%	1.2%	

* *Further information is provided on pages 49 to 55.*

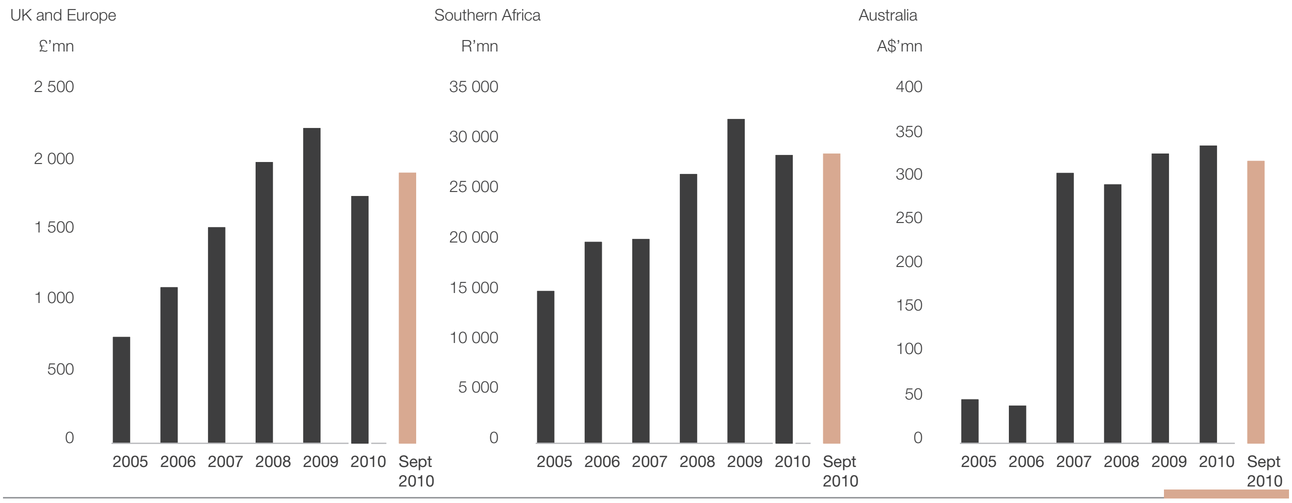
Net core loans and advances as at	30 Sept 2010 £'million	31 March 2010 £'million	% change	30 Sept 2010 Home currency 'million	31 March 2010 Home currency 'million	% change
UK and Europe	1 898	1 752	8.3%	£1 897	£1 752	8.3%
Southern Africa	2 599	2 591	0.3%	R28 587	R28 778	(0.7%)
Australia	196	166	18.1%	A$320	A$275	16.4%
Net core loans and advances	4 693	4 509	4.1%			

Net core loans and advances as at	30 Sept 2009 £'million	31 March 2009 £'million	% change	30 Sept 2009 Home currency 'million	31 March 2009 Home currency 'million	% change
UK and Europe	2 099	2 241	(6.3%)	£2 099	£2 241	(6.3%)
Southern Africa	2 630	2 393	9.9%	R31 524	R32 484	(3.0%)
Australia	160	167	(4.2%)	A$290	A$345	(15.9%)
Net core loans and advances	4 889	4 801	1.8%			

Capital Markets

Further analysis of core loans and advances

Net core loans and advances (excluding Kensington)



Trend reflects numbers as at the year ended 31 March unless stated otherwise.

Kensington Group plc – salient financial information

Kensington key statistics

As at 30 September 2010	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 684	2 731	4 415	
IFRS adjustments (£'million)	(44)	77	33	
Mortgage assets under management (£'million)	1 728	2 654	4 382	
First charge % of total mortgage assets under management	93.7%	94.5%	94.2%	
Second charge % of total mortgage assets under management	6.3%	5.5%	5.8%	
Fixed rate loans % of total mortgage assets under management	12.6%	0.1%	5.0%	
Number of accounts	15 645	29 328	44 973	
Average loan balance (first charge) (£'million)	141 375	109 058	119 827	
Largest loan balance (£'million)	1 079 282	1 169 984	1 169 984	
Weighted average loan mature margin	4.2%	4.7%	4.4%	
Product mix (pre–IFRS adjustments) (£'million)	1 728	2 654	4 382	100.0
Prime	31	–	31	0.7
Near prime	591	445	1 036	23.6
Prime Buy to Let	2	–	2	–
Adverse	420	1 765	2 185	49.9
Adverse Buy to Let and Right to Buy	72	130	202	4.6
Start – Irish operations	612	314	926	21.2
Geographic distribution (£'million)	1 728	2 654	4 382	100.0
UK – North	347	754	1 101	25.1
UK – South West	86	163	249	5.7
UK – South East	252	487	739	16.9
Outer London	167	291	458	10.5
Inner London	78	169	247	5.6
Midlands	186	476	662	15.1
Start – Irish operations	612	314	926	21.1
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.3%	1.5%	2.0%	
>£250 000 – <=£500 000	23.3%	12.4%	16.2%	
>£200 000 – <=£250 000	15.9%	11.9%	13.3%	
>£150 000 – <=£200 000	20.8%	19.7%	20.1%	
>£100 000 – <=£150 000	23.6%	28.5%	26.8%	
>£70 000 – <=£100 000	11.5%	19.4%	16.7%	
>£50 000 – <=£70 000	1.5%	5.3%	4.0%	
<£50 000	0.1%	1.3%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price indexation)*	80.7%	73.9%	76.6%	

* *Bad debt provision is based on house price index assumptions of:*
UK: calendar year 2010: house price decline assumption of circa (1.5%) and (10%) for 2011 and an additional (10%) haircut to the price to reflect forced sale discount.
Ireland: calendar year 2010: (9.4%) and (2.9%) for 2011 and an additional (10%) haircut to reflect forced sale discount.

Capital Markets

Kensington key statistics (continued)

As at 30 September 2010	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	22.0%	29.2%	26.4%	
>65% – <70%	4.9%	7.3%	6.4%	
>70% – <75%	6.2%	9.0%	7.9%	
>75% – <80%	7.3%	11.0%	9.6%	
>80% – <85%	8.7%	12.0%	10.7%	
>85% – <90%	10.2%	11.2%	10.8%	
>90% – <95%	12.6%	8.2%	9.9%	
>95% – <100%	11.3%	5.7%	7.9%	
>100%	16.8%	6.4%	10.4%	
% of accounts > 90 days in arrears	28.9%	29.4%	29.2%	
Number of accounts > 90 in arrears	4 469	8 612	13 081	
Total capital lent in arrears (£'million)	718	1 204	1 922	100.0
Arrears 0 – 60 days	90	187	277	14.4
Arrears 61 – 90 days	69	127	196	10.2
Arrears > 90 days	537	850	1 387	72.2
Possession	22	40	62	3.2
Debt to income ratio of clients	19.8%	19.4%	19.5%	
Investec investment/exposure to assets reflected above (£'million)	584	130	714	
On balance sheet provision (£'million)	(71)	(39)	(110)	
Investec net investment/exposure to assets reflected above (£'million)	513	91	604	

Kensington key statistics (continued)

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 776	2 874	4 650	
IFRS adjustments (£'million)	(10)	81	71	
Mortgage assets under management (£'million)	1 786	2 793	4 579	
First charge % of total mortgage assets under management	93.5%	94.4%	94.0%	
Second charge % of total mortgage assets under management	6.5%	5.6%	6.0%	
Fixed rate loans % of total mortgage assets under management	38.1%	0.7%	15.3%	
Number of accounts	16 155	30 723	46 878	
Average loan balance (first charge) (£'million)	142 214	109 831	120 489	
Largest loan balance (£'million)	1 126 641	1 194 619	1 194 619	
Weighted average loan mature margin	4.1%	4.6%	4.4%	
Product mix (pre–IFRS adjustments) (£'million)	1 786	2 793	4 579	100.0
Prime	9	–	9	0.2
Near prime	626	468	1 094	23.9
Prime Buy to Let	1	–	1	–
Adverse	443	1 861	2 304	50.3
Adverse Buy to Let and Right to Buy	76	138	214	4.7
Start – Irish operations	631	326	957	20.9
Geographic distribution (£'million)	1 786	2 793	4 579	100.0
UK – North	359	796	1 155	25.2
UK – South West	90	173	263	5.7
UK – South East	259	513	772	16.9
Outer London	171	304	475	10.4
Inner London	86	180	266	5.8
Midlands	191	501	692	15.1
Start – Irish operations	630	326	956	20.9
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.9%	1.5%	2.3%	
>£250 000 – <=£500 000	24.1%	12.6%	16.4%	
>£200 000 – <=£250 000	15.6%	11.7%	13.0%	
>£150 000 – <=£200 000	19.9%	19.4%	19.5%	
>£100 000 – <=£150 000	23.4%	28.6%	26.9%	
>£70 000 – <=£100 000	11.6%	19.6%	17.0%	
>£50 000 – <=£70 000	1.4%	5.3%	4.0%	
<£50 000	0.1%	1.3%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price indexation)*	82.1%	75.2%	77.9%	

* *Bad debt provision is based on house price index assumptions of:*
UK: calendar year 2010: (10%) and an extra (10%) haircut to the price to reflect forced sale discount.
Ireland: calendar year 2010: (9.4%) and an extra (13%) (dropping to (10%) for sales from September 2010 onwards) forced sale discount.

Kensington key statistics (continued)

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	22.3%	27.4%	25.4%	
>65% – <70%	4.9%	6.6%	6.0%	
>70% – <75%	5.4%	8.2%	7.1%	
>75% – <80%	6.3%	10.5%	8.9%	
>80% – <85%	7.9%	12.0%	10.4%	
>85% – <90%	8.9%	12.5%	11.1%	
>90% – <95%	12.4%	9.7%	10.8%	
>95% – <100%	12.7%	6.4%	8.8%	
> 100%	19.2%	6.7%	11.5%	
% of accounts > 90 days in arrears	27.0%	29.1%	28.4%	
Number of accounts > 90 in arrears	4 368	8 946	13 314	
Total capital lent in arrears (£'million)	709	1 244	1 953	100.0
Arrears 0 – 60 days	94	191	285	14.6
Arrears 61 – 90 days	74	129	203	10.4
Arrears >90 days	517	880	1 397	71.5
Possession	24	44	68	3.5
Debt to income ratio of clients	20.4%	19.1%	19.6%	
Investec investment/exposure to assets reflected above (£'million)	555	147	702	
On balance sheet provision (£'million)	(69)	(43)	(112)	
Investec net investment/exposure to assets reflected above (£'million)	486	104	590	

Developments

UK and Europe

- The Project Finance team continues to be a leader in the UK PFI advisory business, and the office in Canada, set up to service the North American PFI market, is performing well
- The Acquisition Finance book has performed above expectations through the economic crisis and defaults were lower than expected
- The Asset Finance business is now ranked in the top three in the small ticket leasing market and has recently been awarded best SME Champion at the Asset Finance Awards 2010
- We are considered one of the top 10 European banks in aircraft finance
- The trading desks showed varied but overall improved performance benefiting from market volatility, the introduction of new products and increased staff
- The Structured Equity retail distribution platforms have been established and have recently marketed launch 21 in the UK market. Recent awards won include: Best Structured Products Provider (Investment Life & Pensions Moneyfacts 2010 awards); Best Structured Product Provider (Professional Adviser Awards 2010), Best Structured Product Provider (Financial Times and Investors Chronicle Investment Awards 2009), Best Service to IFA's and Best Income Product for FTSE 100 Bonus Income Plan (PPR Professional Adviser Structured Products Awards 2009). We are currently one of the top two retail structured product issuers in the UK market
- The Principal Finance business has continued to take advantage of the condition of the credit markets through its credit investments and trading operations. The desk recently closed a UK RMBS deal, the desk's first primary deal since markets have re-opened up
- All lending desks are now actively focused on the origination of new deals following the improvements seen in the market
- The Treasury Products and Distribution desk has been established to actively market structured solutions, foreign exchange and interest rates to the corporate market and is gaining traction in client acquisition and volumes traded
- The focus on raising customer deposits has significantly reduced our reliance on the wholesale markets.

Capital Markets

Southern Africa

- The corporate market continues to remain depressed with low levels of activity. We have however, seen a small increase in pipeline in the Project Finance division. This has been partially offset by the increase in average margin on our core advances portfolio
- Significant surplus liquidity levels were maintained during the period and we continue to be a provider of liquidity to the South African interbank market. Our surplus liquidity has had a negative impact on our margin for the period
- Impairments reduced substantially over the period and no significant impairments have been raised in the current year
- The overall impact on profits from our equity revaluations for the period was positive, with a number of positions being realised
- We continue to grow our portfolio of highly rated yield enhancing credit instruments as the markets continue to present opportunities
- We have seen an increase in our Corporate Treasury forex activity for the period, however, spreads on pricing have tightened considerably
- Client flows across our Financial Market Derivative businesses remains subdued. This continues to negatively impact the results from our Equity and Foreign Exchange Treasury and Trading Activities.

Australia

- Market conditions for asset growth (both loans and tradable securities) remained broadly positive but renewed competition, some margin compression and deal failures resulted in weaker than anticipated asset growth. Average margins have been written at higher levels but fee income is well below historical levels reflecting a weaker than expected deal tempo
- Resources deal activity was good, reflecting the business's re-orientation away from junior miner greenfield project finance to brownfield expansion and corporate facilities for established mining companies. Whilst activity in the equity portfolio was low, we took the opportunity to exit some holdings when market buoyancy permitted
- The Project and Infrastructure Finance team established a solid slate of advisory and debt arranging/participation deals, although deal closure and asset growth have been slower than expected. Senior debt margins, especially in projects without patronage, market or demand risk, have compressed rapidly but are still well above pre-global financial crisis levels
- The power development team (part of Project and Infrastructure Investments) continue to work on a range of exit strategies for the Cherokee power development project. This is expected to close within the financial year
- The aviation team has raised $50 million to date in its third open-ended capital raising for the Investec Global Aircraft Fund taking the total investment capital to $190 million. A range of transactions, some destined for the fund and others not, are currently in varying stages of development
- The newly established Corporate Debt business achieved rapid market traction and a strong deal pipeline has been established
- In respect of the core domestic structured credit market, several trades were initiated, some exited and the business is now working on broadening its domestic capability and its global reach
- A new Financial Markets business has been established covering trading, sales, and wholesale funding. At this stage trading risk is small and the focus has been on client flow.

Outlook, risks and opportunities

- We are a focused business targeting markets where we can be distinctive and competitive
- We remain committed to building a sustainable business franchise with diversified revenue streams in our core geographies
- In the UK and Southern Africa we will continue to strive for depth and greater penetration. In Australia we continue to look for opportunities to broaden our franchise
- The current negative cycle is the time to shape the business for the future and to position ourselves for growth in a changed competitive landscape
- This stage of the cycle is likely to see some defaults but impairments and losses will be lower
- The environment has changed but so too has the competitive landscape. A large amount of capacity has been removed from the market and the number of players in our core geographies has reduced substantially. This plays to our strengths of being a specialist and bespoke service provider. In the short term we expect conditions to remain challenging; however, we believe that in the medium term this is an excellent opportunity to grow market share and deepen our franchise.

UK and Europe

- We continue to plan further securitisations during the year as the asset backed securitisation market reopens
- The UK market is showing signs of growth once more and we are well positioned to take advantage of this upturn in the market
- The outlook on bad debts is stabilising however, uncertainty remains due to contrasting economic information
- The corporate market has opened itself to new relationships and we are taking advantage of the opportunities.

Southern Africa

- The division is well positioned across all product areas for any potential upturn in the general economy
- We continue to focus on growing our credit portfolio as opportunities present themselves in the market
- The margin line is expected to improve over the coming months as the cost of funding reduces
- Book growth from our core loans and advances is expected to be negative over the next six months as the corporate market remains depressed
- We anticipate that trading and structuring opportunities will remain at low levels as volumes and activity in the financial markets continue to be subdued
- We continue to be a net provider of liquidity to the interbank market and will attempt to increase the average duration of our wholesale funding base.

Capital Markets

Australia

- In resources, we continue to build a pipeline of deals focused on mid-tier and larger mining companies with one or more assets in production, where the risk and return profile remains attractive
- In aviation, we intend to work closely with Investec's aviation finance teams in London and Johannesburg to pursue aircraft leasing transactions and, in parallel, create investment opportunities for the additional capital that has been raised for the Investec Global Aircraft Fund
- In renewable energy, we continue to work on a fleet of development assets in a range of technologies and will seek to exit some of these during the course of the year. In parallel our project advisory, debt arranging and principal lending business is expected to remain active based on current deal pipeline and market conditions
- Our newly established Corporate Debt business, which targets event driven borrowing by mid-tier and larger corporates, has already achieved some success in the domestic market and we expect to see strong deal flow in this business
- In our Principal Finance team, we continue to seek opportunities in the structured credit market, whether as short-term credit trading strategies or as longer term holds of quality assets at margins which remain attractive notwithstanding the compression that has already occurred
- Treasury will focus on ongoing balance sheet management priorities particularly optimising our strong liquidity position and, more urgently, will be growing our sales and structuring activities
- Our trading business remains one with modest market risk and, as our sales activities generate additional customer flow, we will look to broaden this business in order to meet the requirements of these clients.

Group Services and Other Activities

Overview and financial analysis

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
International Trade Finance	3 692	3 154	538	17.1%
Central Funding	9 176	75 060	(65 884)	(87.8%)
Central Services	(38 511)	(32 038)	(6 473)	20.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**(25 643)**	**46 176**	**(71 819)**	**(>100.0%)**

30 Sept 2010 £'000	UK and Europe	Southern Africa	Australia	Total group
International Trade Finance	741	2 951	–	3 692
Central Funding	(14 333)	16 767	6 742	9 176
Central Services	(18 505)	(16 599)	(3 407)	(38 511)
Operating profit before goodwill, acquired intangibles, non–operating items, taxation and after minorities	**(32 097)**	**3 119**	**3 335**	**(25 643)**

30 Sept 2009 £'000	UK and Europe	Southern Africa	Australia	Total group
International Trade Finance	1 142	2 012	–	3 154
Central Funding	36 102	35 873	3 085	75 060
Central Services	(12 428)	(16 400)	(3 210)	(32 038)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	**24 816**	**21 485**	**(125)**	**46 176**

Developments

Central Services

- We have a policy of allocating costs housed in the centre that are, in effect, performing a function for the divisions of the group.
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure, amounting to £38.5 million (2009: £32.0 million). However, a portion thereof (£30.8 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 34 for further details.
- Central costs are higher than the prior year mainly due to the appreciation of the Rand against Pounds Sterling.

Central Funding

- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces at the time.
- The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to the five operating divisions.

Group Services and Other Activities

Central Funding (continued)

£'000	30 Sept 2010	30 Sept 2009	Variance	% change
Net interest income (excluding interest on sub debt and debentures)	47 333	41 438	5 895	14.2%
Principal transactions	6 688	82 133	(75 445)	(91.9%)
Other income	8 706	(964)	9 670	>100.0%
	62 727	122 607	(59 880)	(48.8%)
Interest paid on sub-debt and debentures	(39 298)	(34 902)	(4 396)	12.6%
Impairment losses on loans and advances	(10 657)	(7 084)	(3 573)	50.4%
Admin expenses and depreciation	(6 985)	(4 538)	(2 447)	53.9%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	5 787	76 083	(70 296)	(92.4%)
Earnings attributable to minority interests	3 389	(1 023)	4 412	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities	9 176	75 060	(65 884)	(87.8%)

The variance in operating profit over the period can be explained as follows:

- Net interest income was largely impacted by:
  - An increase in cash held and lower levels of average interest rates
  - An increase in interest paid on sub-debt as a the result of debt issuance of R1 550 million in South Africa
- The decrease in principal transaction income largely reflects:
  - A lower return on certain equity investments held in the South African portfolio
  - The prior period included £46 million earned on purchasing back the group's debt in the UK
- The increase in other income relates to intergroup fees earned
- The group has increased its portfolio impairments.

Segmental geographic analysis - income statement

For the 6 months to 30 Sept 2010 £'000	UK and Europe	Southern Africa	Australia	Total group
Interest income	304 221	699 422	114 717	1 118 360
Interest expense	(175 693)	(536 441)	(85 052)	(797 186)
Net interest income	128 528	162 981	29 665	321 174
Fee and commission income	230 252	145 725	13 984	389 961
Fee and commission expense	(43 690)	(3 932)	(1 845)	(49 467)
Principal transactions	107 384	90 699	10 623	208 706
Operating income from associates	3 026	(26)	172	3 172
Investment income on assurance activities	–	17 986	–	17 986
Premiums and reinsurance recoveries on insurance contracts	–	5 028	–	5 028
Other operating income	6 730	60	(1 575)	5 215
Other income	303 702	255 540	21 359	580 601
Claims and reinsurance premiums on insurance business	–	(20 727)	–	(20 727)
Total operating income net of insurance claims	432 230	397 794	51 024	881 048
Impairment losses on loans and advances	(77 617)	(33 361)	(11 872)	(122 850)
Operating income	354 613	364 433	39 152	758 198
Administrative expenses	(276 223)	(211 048)	(36 888)	(524 159)
Depreciation, amortisation and impairment of property, equipment and software	(10 964)	(4 927)	(828)	(16 719)
Operating profit before goodwill and acquired intangibles	67 426	148 458	1 436	217 320
Losses attributable to minority interests	12 612	(2 048)	273	10 837
Operating profit before goodwill, acquired intangibles and after minorities	80 038	146 410	1 709	228 157
Selected returns and key statistics				
ROE (post-tax)	10.5%	16.0%	0.7%	11.5%
Cost to income ratio	66.4%	54.3%	73.9%	61.4%
Staff compensation to operating income	43.1%	35.6%	50.2%	40.1%
Operating profit per employee (£'000)	34.0	37.1	3.8	34.1
Effective operational tax rate	20.1%	20.2%	17.4%	20.2%
Total assets (£'million)	18 896	26 730	3 352	48 978

Segmental geographic analysis - income statement

For the 6 months to 30 Sept 2009 £'000	UK and Europe	Southern Africa	Australia	Total group
Interest income	300 509	590 171	83 436	974 116
Interest expense	(163 914)	(459 512)	(53 333)	(676 759)
Net interest income	**136 595**	**130 659**	**30 103**	**297 357**
Fee and commission income	133 564	112 049	11 037	256 650
Fee and commission expense	(23 921)	(4 276)	(2 025)	(30 222)
Principal transactions	120 786	100 271	9 764	230 821
Operating income from associates	5 793	(5)	141	5 929
Investment income on assurance activities	–	68 573	–	68 573
Premiums and reinsurance recoveries on insurance contracts	–	2 179	–	2 179
Other operating income	11 181	2 681	(3 392)	10 470
Other income	**247 403**	**281 472**	**15 525**	**544 400**
Claims and reinsurance premiums on insurance business	–	(68 777)	–	(68 777)
Total operating income net of insurance claims	**383 998**	**343 354**	**45 628**	**772 980**
Impairment losses on loans and advances	(88 493)	(33 002)	(12 801)	(134 296)
Operating income	**295 505**	**310 352**	**32 827**	**638 684**
Administrative expenses	(211 870)	(177 583)	(28 507)	(417 960)
Depreciation, amortisation and impairment of property, equipment and software	(10 401)	(4 589)	(598)	(15 588)
Operating profit before goodwill and acquired intangibles	**73 234**	**128 180**	**3 722**	**205 136**
Losses attributable to minority interests	13 491	(3 023)	375	10 843
Operating profit before goodwill, acquired intangibles and after minorities	**86 725**	**125 157**	**4 097**	**215 979**
Selected returns and key statistics				
ROE (post-tax)	17.4%	16.9%	1.6%	14.8%
Cost to income ratio	57.9%	53.1%	63.8%	56.1%
Staff compensation to operating income	33.7%	34.2%	45.7%	34.6%
Operating profit per employee (£'000)	44.8	33.4	11.1	35.6%
Effective operational tax rate	5.1%	24.5%	38.1%	18.2%
Total assets (£'million)	16 716	21 287	2 555	40 558

Segmental business analysis - income statement

For the 6 months to 30 Sept 2010 £'000	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Net interest income	874	2 597	(3 887)	152 200	(1 950)	156 430	14 910	321 174
Fee and commission income	174 813	55 030	11 797	33 790	45 011	64 039	5 481	389 961
Fee and commission expense	(32 213)	(1 067)	(823)	(3 345)	(4 013)	(9 919)	1 913	(49 467)
Principal transactions	5	1 896	18 788	11 549	61 722	107 979	6 767	208 706
Operating income from associates	–	2 376	–	172	513	–	111	3 172
Investment income on assurance activities	–	–	–	–	–	–	17 986	17 986
Premiums and reinsurance recoveries on insurance contracts	–	–	–	–	–	–	5 028	5 028
Other operating income	272	–	(212)	–	4 364	–	791	5 215
Other income	142 877	58 235	29 550	42 166	107 597	162 099	38 077	580 601
Claims and reinsurance premiums on insurance business	–	–	–	–	–	–	(20 727)	(20 727)
Total operating income net of insurance claims	143 751	60 832	25 663	194 366	105 647	318 529	32 260	881 048
Impairment losses on loans and advances	29	–	–	(72 262)	218	(39 458)	(11 377)	(122 850)
Operating income	143 780	60 832	25 663	122 104	105 865	279 071	20 883	758 198
Administrative expenses	(94 165)	(43 479)	(9 246)	(123 150)	(66 419)	(142 060)	(45 640)	(524 159)
Depreciation, amortisation and impairment of property, equipment and software	(538)	(1 011)	(9)	(2 833)	(4 505)	(3 548)	(4 275)	(16 719)
Operating profit before goodwill and acquired intangibles	49 077	16 342	16 408	(3 879)	34 941	133 463	(29 032)	217 320
Losses attributable to minority interests	(164)	–	–	–	7 569	43	3 389	10 837
Operating profit before goodwill, acquired intangibles and after minorities	48 913	16 342	16 408	(3 879)	42 510	133 506	(25 643)	228 157
Selected returns and key statistics								
ROE (pre-tax)	59.7%	14.0%	25.5%	(0.5%)	26.9%	24.5%	(19.8%)	14.6%
Cost to income ratio	65.9%	73.1%	36.1%	64.8%	67.1%	45.7%	154.7%	61.4%
Staff compensation to operating income	45.6%	50.6%	27.3%	36.4%	38.5%	26.0%	173.6%	40.1%
Operating profit per employee (£'000)	49.5	23.6	207.7	(1.8)	112.9	113.4	(21.3)	34.1
Total assets (£'million)	421	781	455	14 571	1 147	23 438	8 165	48 978

* *Where: AM=Asset Management WI=Wealth and Investment PA=Property Activities PB=Private Banking IB = Investment Banking CM=Capital Markets GSO=Group Services and Other Activities*

Segmental business analysis - income statement

For the 6 months to 30 Sept 2009 £'000	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Net interest income	1 014	508	(3 812)	136 718	(6 389)	156 311	13 007	297 357
Fee and commission income	118 910	18 829	7 245	42 903	32 546	38 437	(2 220)	256 650
Fee and commission expense	(20 215)	(1 489)	(1 099)	(2 811)	(3 009)	(1 531)	(68)	(30 222)
Principal transactions	2	1 032	17 402	64	49 500	80 643	82 178	230 821
Operating income from associates	–	5 386	–	141	75	63	264	5 929
Investment income on assurance activities	–	–	–	–	–	–	68 573	68 573
Premiums and reinsurance recoveries on insurance contracts	–	–	–	–	–	–	2 179	2 179
Other operating income	2 819	–	(107)	(2)	6 970	–	790	10 470
Other income	101 516	23 758	23 441	40 295	86 082	117 612	151 696	544 400
Claims and reinsurance premiums on insurance business	–	–	–	–	–	–	(68 777)	(68 777)
Total operating income net of insurance claims	102 530	24 266	19 629	177 013	79 693	273 923	95 926	772 980
Impairment losses on loans and advances	–	–	–	(53 522)	3	(72 264)	(8 513)	(134 296)
Operating income	102 530	24 266	19 629	123 491	79 696	201 659	87 413	638 684
Administrative expenses	(72 952)	(12 229)	(7 888)	(104 380)	(59 351)	(124 273)	(36 887)	(417 960)
Depreciation, amortisation and impairment of property, equipment and software	(491)	(29)	(8)	(2 402)	(5 588)	(3 743)	(3 327)	(15 588)
Operating profit before goodwill and acquired intangibles	29 087	12 008	11 733	16 709	14 757	73 643	47 199	205 136
Losses attributable to minority interests	(155)	–	–	–	12 027	(6)	(1 023)	10 843
Operating profit before goodwill, acquired intangibles and after minorities	28 932	12 008	11 733	16 709	26 784	73 637	46 176	215 979
Selected returns and key statistics								
ROE (pre-tax)	32.0%	95.9%	28.6%	4.9%	18.7%	16.1%	89.0%	18.1%
Cost to income ratio	71.6%	50.5%	40.2%	60.3%	81.5%	46.7%	41.9%	56.1%
Staff compensation to operating income	45.7%	33.9%	25.3%	18.2%	42.0%	26.5%	45.9%	34.6%
Operating profit per employee (£'000)	31.2	32.1	152.4	7.6	73.6	70.4	40.9	35.6
Total assets (£'million)	376	632	301	13 059	1 010	20 253	4 927	40 558

* *Where: AM=Asset Management WI=Wealth and Investment PA=Property Activities PB=Private Banking IB = Investment Banking CM=Capital Markets GSO=Group Services and Other Activities*

Segmental business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	% change
Asset Management	48 913	28 932	69.1%
Wealth and Investment	16 342	12 008	36.1%
Property Activities	16 408	11 733	39.8%
Private Banking	(3 879)	16 709	(>100.0%)
Investment Banking			
Corporate Finance	4 595	(934)	>100.0%
Institutional Research, Sales and Trading	(1 072)	2 727	(>100.0%)
Principal Investments	38 987	24 991	56.0%
	42 510	26 784	58.7%
Capital Markets	133 506	73 637	81.3%
Group Services and Other Activities			
International Trade Finance	3 692	3 154	17.1%
Central Funding	9 176	75 060	(87.8%)
Central Services Costs	(38 511)	(32 038)	20.2%
	(25 643)	46 176	(>100.0%)
Total group	228 157	215 979	5.6%

Segmental geographic analysis - balance sheet assets and liabilities

At 30 Sept 2010 £'000	UK and Europe	Southern Africa	Australia	Total group
Assets				
Cash and balances at central banks	1 083 648	342 767	124 392	1 550 807
Loans and advances to banks	1 200 067	966 569	91 105	2 257 741
Cash equivalent advances to customers	–	527 758	–	527 758
Reverse repurchase agreements and cash collateral on securities borrowed	804 660	402 595	–	1 207 255
Trading securities	395 988	4 942 582	103	5 338 673
Derivative financial instruments	874 173	1 024 592	71 905	1 970 670
Investment securities	1 434 463	463 610	1 017 896	2 915 969
Loans and advances to customers	6 186 335	10 489 224	1 434 651	18 110 210
Loans and advances to customers – Kensington warehouse assets	1 683 586	–	–	1 683 586
Securitised assets	3 822 559	832 350	495 512	5 150 421
Interests in associated undertakings	16 928	3 823	1 552	22 303
Deferred taxation assets	75 813	33 944	22 495	132 252
Other assets	607 407	541 906	39 365	1 188 678
Property and equipment	35 136	17 924	4 714	57 774
Investment properties	–	324 672	–	324 672
Goodwill	401 058	22 603	42 464	466 125
Intangible assets	152 842	9 275	5 389	167 506
Non–current assets classified as held for sale	122 133	–	–	122 133
	18 896 796	20 946 194	3 351 543	43 194 533
Other financial instruments at fair value through income in respect of				
– Liabilities to customers	–	5 781 206	–	5 781 206
– Assets related to reinsurance contracts	–	2 699	–	2 699
Total assets	18 896 796	26 730 099	3 351 543	48 978 438
Liabilities				
Deposits by banks	1 104 566	1 076 997	–	2 181 563
Deposits by banks – Kensington warehouse funding	1 082 431	–	–	1 082 431
Derivative financial instruments	617 559	943 942	57 489	1 618 990
Other trading liabilities	239 969	300 285	–	540 254
Repurchase agreements and cash collateral on securities lent	378 846	563 853	–	942 699
Customer accounts (deposits)	8 506 525	13 724 188	1 263 095	23 493 808
Debt securities in issue	575 358	143 078	1 096 677	1 815 113
Liabilities arising on securitisation	3 306 526	699 104	482 615	4 488 245
Current taxation liabilities	85 874	111 171	(5 485)	191 560
Deferred taxation liabilities	93 862	109 076	–	202 938
Other liabilities	679 553	865 238	17 150	1 561 941
Pension fund liabilities	487	–	–	487
Liabilities directly associated with non-current assets held for sale	103 465	–	–	103 465
	16 775 021	18 536 932	2 911 541	38 223 494
Liabilities to customers under investment contracts	–	5 776 517	–	5 776 517
Insurance liabilities, including unit-linked liabilities	–	4 689	–	4 689
Reinsured liabilities	–	2 699	–	2 699
	16 775 021	24 320 837	2 911 541	44 007 399
Subordinated liabilities	529 280	612 241	31 723	1 173 244
	17 304 301	24 933 078	2 943 264	45 180 643

Segmental geographic analysis - balance sheet assets and liabilities

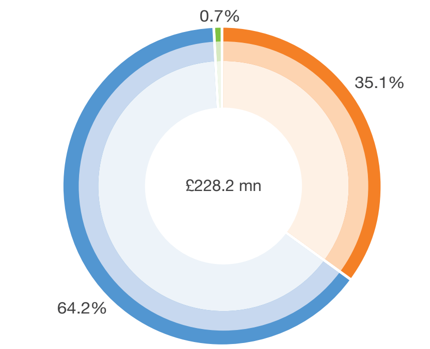
At 31 March 2010 £'000	UK and Europe	Southern Africa	Australia	Total group
Assets				
Cash and balances at central banks	1 502 981	329 472	505 781	2 338 234
Loans and advances to banks	1 394 994	1 316 703	69 933	2 781 630
Cash equivalent advances to customers	–	581 117	–	581 117
Reverse repurchase agreements and cash collateral on securities borrowed	490 494	420 938	–	911 432
Trading securities	349 217	3 872 428	–	4 221 645
Derivative financial instruments	845 330	706 255	40 256	1 591 841
Investment securities	1 183 798	121 233	691 042	1 996 073
Loans and advances to customers	5 877 362	10 238 729	1 298 600	17 414 691
Loans and advances to customers – Kensington warehouse assets	1 776 525	–	–	1 776 525
Securitised assets	3 916 526	899 988	517 939	5 334 453
Interests in associated undertakings	96 459	4 817	2 783	104 059
Deferred taxation assets	76 718	36 304	21 333	134 355
Other assets	598 759	628 867	12 998	1 240 624
Property and equipment	140 032	16 885	4 338	161 255
Investment properties	–	273 038	–	273 038
Goodwill	207 892	25 147	41 378	274 417
Intangible assets	23 141	8 679	4 800	36 620
Non–current assets classified as held for sale	–	–	–	–
	18 480 228	19 480 600	3 211 181	41 172 009
Other financial instruments at fair value through income in respect of				
– Liabilities to customers	–	5 397 014	–	5 397 014
– Assets related to reinsurance contracts	–	2 842	–	2 842
Total assets	18 480 228	24 880 456	3 211 181	46 571 865
Liabilities				
Deposits by banks	1 579 529	860 141	–	2 439 670
Deposits by banks – Kensington warehouse funding	1 213 042	–	–	1 213 042
Derivative financial instruments	502 956	643 191	47 274	1 193 421
Other trading liabilities	190 295	314 323	–	504 618
Repurchase agreements and cash collateral on securities lent	529 690	565 490	15 328	1 110 508
Customer accounts (deposits)	8 024 835	12 885 199	1 024 010	21 934 044
Debt securities in issue	497 886	140 363	1 153 620	1 791 869
Liabilities arising on securitisation	3 465 299	733 897	515 360	4 714 556
Current taxation liabilities	71 320	127 715	(2 070)	196 965
Deferred taxation liabilities	52 929	84 045	–	136 974
Other liabilities	497 250	1 043 788	31 722	1 572 760
Pension fund liabilities	1 285	–	–	1 285
Liabilities directly associated with non-current assets held for sale	–	–	–	–
	16 626 316	17 398 152	2 785 244	36 809 712
Liabilities to customers under investment contracts	–	5 392 662	–	5 392 662
Insurance liabilities, including unit-linked liabilities	–	4 352	–	4 352
Reinsured liabilities	–	2 842	–	2 842
	16 626 316	22 798 008	2 785 244	42 209 568
Subordinated liabilities	587 074	468 860	14 502	1 070 436
	17 213 390	23 266 868	2 799 746	43 280 004

Segmental geographic analysis - balance sheet assets and liabilities

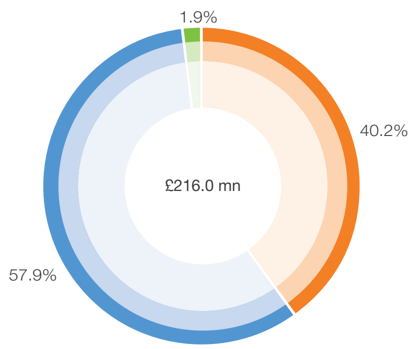
At 30 Sept 2009 £'000	UK and Europe	Southern Africa	Australia	Total group
Assets				
Cash and balances at central banks	1 171 818	291 415	10 971	1 474 204
Loans and advances to banks	930 354	707 873	140 877	1 779 104
Cash equivalent advances to customers	–	496 792	–	496 792
Reverse repurchase agreements and cash collateral on securities borrowed	215 395	345 029	–	560 424
Trading securities	251 252	3 318 413	78	3 569 743
Derivative financial instruments	892 932	737 148	47 144	1 677 224
Investment securities	463 468	77 962	694 863	1 236 293
Loans and advances to customers	5 981 135	9 394 507	1 063 277	16 438 919
Loans and advances to customers – Kensington warehouse assets	1 873 778	–	–	1 873 778
Securitised assets	3 862 786	992 302	513 915	5 369 003
Interests in associated undertakings	89 331	4 515	4 621	98 467
Deferred taxation assets	74 120	50 115	15 376	139 611
Other assets	544 249	459 538	18 274	1 022 061
Property and equipment	139 771	14 892	4 399	159 062
Investment properties	–	200 695	–	200 695
Goodwill	198 784	24 393	37 810	260 987
Intangible assets	25 768	6 534	3 612	35 914
Non–current assets classified as held for sale	–	–	–	–
	16 714 941	17 122 123	2 555 217	36 392 281
Other financial instruments at fair value through income in respect of				
– Liabilities to customers	–	4 162 088	–	4 162 088
– Assets related to reinsurance contracts	–	3 196	–	3 196
Total assets	16 714 941	21 287 407	2 555 217	40 557 565
Liabilities				
Deposits by banks	2 201 234	849 048	–	3 050 282
Deposits by banks – Kensington warehouse funding	1 354 737	–	–	1 354 737
Derivative financial instruments	630 866	692 818	54 271	1 377 955
Other trading liabilities	97 267	208 503	–	305 770
Repurchase agreements and cash collateral on securities lent	333 882	321 674	–	655 556
Customer accounts (deposits)	5 725 447	11 388 295	899 770	18 013 512
Debt securities in issue	385 993	93 604	686 789	1 166 386
Liabilities arising on securitisation	3 508 931	733 908	506 790	4 749 629
Current taxation liabilities	75 053	108 077	(15 042)	168 088
Deferred taxation liabilities	40 743	98 540	–	139 283
Other liabilities	442 924	876 825	22 969	1 342 718
Pension fund liabilities	934	–	–	934
Liabilities directly associated with non-current assets held for sale	–	–	–	–
	14 798 011	15 371 292	2 155 547	32 324 850
Liabilities to customers under investment contracts	–	4 155 535	–	4 155 535
Insurance liabilities, including unit-linked liabilities	–	6 553	–	6 553
Reinsured liabilities	–	3 196	–	3 196
	14 798 011	19 536 576	2 155 547	36 490 134
Subordinated liabilities	617 447	412 761	43 833	1 074 041
	15 415 458	19 949 337	2 199 380	37 564 175

Segmental geographical and business analysis

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities by geography



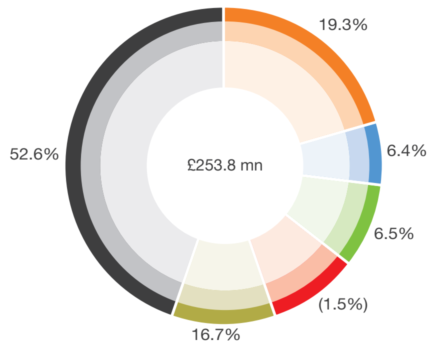
30 Sept 2010



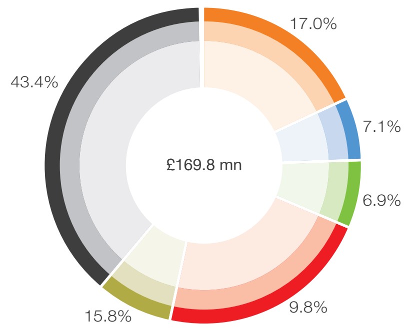
30 Sept 2009

- UK and Europe
- Southern Africa
- Australia

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after minorities by line of business (excluding Group Services and Other Activities)



30 Sept 2010



30 Sept 2009

- Asset Management
- Wealth and Investment
- Property Activities
- Private Banking
- Investment Banking
- Capital Markets

Annexures

Annexure 1 Definitions

Adjusted shareholders' equity	Refer to calculation on page 33
Cost to income ratio	Administrative expenses and depreciation divided by operating income
Core loans and advances	Refer to calculation on page 49
Dividend cover	Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share
Earnings attributable to ordinary shareholders before goodwill and non-operating items	Refer to page 18
Adjusted earnings per ordinary share before goodwill and non-operating items	Refer to page 18
Effective operational tax rate	Tax on profit on ordinary activities (excluding exceptional items) divided by operating profit (excluding profit from associates)
Market capitalisation	Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange
Net tangible asset value per share	Refer to calculation on page 32
Non-operating items	Reflects profits and/or losses on termination or disposal of group operations
Operating profit	Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill and non-operating items
Operating profit per employee	Refer to calculation on page 36
Recurring income	Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income net of insurance claims
Return on average adjusted shareholders' equity	Refer to calculation on page 33
Return on average adjusted tangible shareholders' equity	Refer to calculation on page 33
Staff compensation to operating income ratio	All employee related costs expressed as a percentage of operating income
Third party assets under administration	Includes third party assets under administration managed by the Wealth and Investment, Asset Management and Property businesses
Total capital resources	Includes shareholders' equity, subordinated liabilities and minority interests
Total equity	Total shareholders' equity including minority interests
Weighted number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 18

Annexure 2 Dividend announcements

Investec plc

Registration number: 3633621
Share code: INP
ISIN: GB00BI7BBQ50

Ordinary dividend announcement

In terms of the DLC structure, Investec plc shareholders who are not South African resident shareholders may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAN share issued by Investec Limited.

Investec plc shareholders who are South African residents, may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAS share issued by Investec Limited.

Notice is hereby given that an interim dividend number 17 of 8 pence (2009: 8 pence) per ordinary share has been declared by the board in respect of the six months ended 30 September 2010 payable to shareholders recorded in the members' register of the company at the close of business on Friday, 10 December 2010, which will be paid as follows:

- for non-South African resident Investec plc shareholders, through a dividend payment by Investec plc of 8 pence per ordinary share
- for South African resident shareholders of Investec plc, through a dividend payment by Investec plc of 2.25 pence per ordinary share and through a dividend paid, on the SA DAS share equivalent to 5.75 pence per ordinary share.

The relevant dates for the payment of dividend number 17 are as follows:

Last day to trade cum-dividend	
On the Johannesburg Stock Exchange (JSE)	Friday, 3 December 2010
On the London Stock Exchange (LSE)	Tuesday, 7 December 2010
Shares commence trading ex-dividend	
On the Johannesburg Stock Exchange (JSE)	Monday, 6 December 2010
On the London Stock Exchange (LSE)	Wednesday, 8 December 2010
Record date (on the JSE and the LSE)	Friday, 10 December 2010
Payment date (on the JSE and the LSE)	Tuesday, 21 December 2010

Share certificates on the South African branch register may not be dematerialised or rematerialised between Monday, 06 December 2010 and Friday, 10 December 2010, both dates inclusive, nor may transfers between the UK and SA registers take place between Monday, 06 December 2010 and Friday, 10 December 2010, both dates inclusive.

Shareholders registered on the South African register are advised that the distribution of 8 pence, equivalent to 90 cents per share, has been arrived at using the Rand/Pound Sterling average buy/sell forward rate, as determined at 11h00 (SA time) on Wednesday, 17 November 2010.

By order of the board

D Miller
Company Secretary
17 November 2010

Annexure 2 Dividend announcements

Investec plc

Registration number: 3633621
Share code: INPP
ISIN: GB00B19RX541

Non-redeemable non-cumulative non-participating preference shares Declaration of dividend number 9

Notice is hereby given that preference dividend number 9 has been declared for the period 1 April 2010 to 30 September 2010 amounting to 7.52 pence per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 3 December 2010.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 7.52 pence per share is equivalent to 85 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA Time) on Wednesday, 17 November 2010.

The relevant dates relating to the payment of dividend number 9 are as follows:

Last day to trade cum-dividend	
On the Johannesburg Stock Exchange (JSE)	Friday, 26 November 2010
On the Channel Islands Stock Exchange (CISX)	Tuesday, 30 November 2010
Shares commence trading ex-dividend	
On the Johannesburg Stock Exchange (JSE)	Monday, 29 November 2010
On the Channel Islands Stock Exchange (CISX)	Wednesday, 1 December 2010
Record date (on the JSE and CISX)	Friday, 3 December 2010
Payment date (on the JSE and CISX)	Tuesday, 14 December 2010

Share certificates may not be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 3 December 2010, both dates inclusive, nor may transfers between the UK and SA registers take place between Monday, 29 November 2010 and Friday, 3 December 2010, both dates inclusive.

By order of the board

D Miller
Company Secretary
17 November 2010

Annexure 2 Dividend announcements

Investec Limited

Registration number: 1925/002833/06
Share code: INL
ISIN: ZAE000081949

Ordinary dividend announcement

Notice is hereby given that an interim dividend number 110 of 90 cents (2009: 100 cents) per ordinary share has been declared by the board in respect of the six months ended 30 September 2010 payable to shareholders recorded in the members' register of the company at the close of business on Friday, 10 December 2010.

The relevant dates for the payment of the dividend number 110 are as follows:

Last day to trade cum-dividend	Friday, 3 December 2010
Shares commence trading ex-dividend	Monday, 6 December 2010
Record date	Friday, 10 December 2010
Payment date	Tuesday, 21 December 2010

The interim dividend of 90 cents per ordinary share has been determined by converting the Investec plc distribution of 8 pence per ordinary share into Rands using the Rand/Pounds Sterling average buy/sell forward rate at 11h00 (SA time) on Wednesday, 17 November 2010.

Share certificates may not be dematerialised or rematerialised between Monday, 6 December 2010 and Friday, 10 December 2010, both dates inclusive.

By order of the board

B Coetsee
Company Secretary
17 November 2010

Investec Limited

Registration number: 1925/002833/06
Share code: INPR
ISIN: ZAE000063814

Non-redeemable non-cumulative non-participating preference shares Declaration of dividend number 12

Notice is hereby given that preference dividend number 12 has been declared for the period 1 April 2010 to 30 September 2010 amounting to 348.95 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 3 December 2010.

The relevant dates for the payment of dividend number 12 are as follows:

Last day to trade cum-dividend	Friday, 26 November 2010
Shares commence trading ex-dividend	Monday, 29 November 2010
Record date	Friday, 3 December 2010
Payment date	Tuesday, 14 December 2010

Share certificates may not be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 03 December 2010, both dates inclusive.

By order of the board

B Coetsee
Company Secretary
17 November 2010

Annexure 2 Dividend announcements

Investec Bank Limited

Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393

Non-redeemable non-cumulative non-participating preference shares
Declaration of dividend number 15

Notice is hereby given that preference dividend number 15 has been declared for the period 1 April 2010 to 30 September 2010 amounting to 373.87 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 3 December 2010.

The relevant dates for the payment of dividend number 15 are as follows:

Last day to trade cum-dividend	Friday, 26 November 2010
Shares commence trading ex-dividend	Monday, 29 November 2010
Record date	Friday, 3 December 2010
Payment date	Tuesday, 14 December 2010

Share certificates may not be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 03 December 2010, both dates inclusive.

By order of the board

B Coetsee
Company Secretary
17 November 2010

Annexure 3 – Directors' responsibility statement

The directors listed below confirm that, to the best of their knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union; and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

Neither the company nor the directors accept any liability to any person in relation to the half-yearly financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

On behalf of the directors

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

23 November 2010

Annexure 4 – Financial reporting and going concern

The directors are required to confirm that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial statements by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined financial statements, accounting policies and the information contained in the annual report.
In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks we face in preparing the financial and other information contained in this annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements. The process is implemented by management and independently monitored for effectiveness by the Audit, Risk and other sub-committees of the board.

The significant risks we face include risks flowing from the instability in the global financial market and recent economic environment that could affect Investec's businesses, earnings and financial condition.
Our financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Corporate governance practices
- Accounting policies adopted
- Desire to provide relevant and clear disclosures
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Operation of board committee support structures
- Operational soundness
- Credit rating and access to capital
- Needs of all our stakeholders.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 83 to 85 and pages 86 to 89.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control are effective.

Annexure 5 – Auditors' review reports

Independent review report to Investec plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of Investec plc (incorporating Investec Limited) for the six months ended 30 September 2010 which comprises the combined consolidated income statement, combined summarised consolidated statement of comprehensive income, combined consolidated balance sheet, combined summarised consolidated cash flow statement and consolidated statement of changes in equity and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed on page 10, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Ernst & Young LLP
London

23 November 2010

Annexure 5 – Auditors' review reports

Independent Auditor's report on review of interim financial information to the members of Investec Limited

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Investec Limited (incorporating Investec plc), which comprise the combined consolidated balance sheet as at 30 September 2010, and the related combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated statement of changes in equity and combined summarised consolidated cash flow statement for the 6 month period then ended, and a summary of significant accounting policies and other explanatory notes on pages 10, 13 – 18, 102 and 133 – 140. Our responsibility is to express a conclusion on this interim financial information based on our review.

Directors' responsibilities

The company's directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting, the JSE Limited listing requirements and in the manner required by the Companies Act of South Africa.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Investec Limited as at 30 September 2010, and of the financial performance and its cash flows for the 6 month period then ended in accordance with the International Accounting Standard applicable to interim financial reporting and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per JP Grist
Registered Auditor
Director
Sandton

23 November 2010

Corporate information

Investec plc and Investec Limited

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Investec Limited

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Registration number

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Reg. No. 3633621
Investec Limited
Reg. No. 1925/002833/06

Auditors

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Ernst & Young Inc.

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Directorate

Executive directors

Stephen Koseff (Chief Executive Officer)
Bernard Kantor (Managing Director)
Glynn R Burger (Group Risk and Finance Director)
Alan Tapnack

Non-executive directors

Hugh S Herman (Non-executive Chairman)
Sam E Abrahams
George FO Alford
Cheryl C Carolus
Perry KO Crosthwaite (appointed 18 June 2010)
Bradley Fried (appointed 1 April 2010)
Haruko Fukuda OBE
Geoffrey MT Howe
Ian R Kantor
M Peter Malungani
Sir David Prosser (Senior Independent Director)
Peter RS Thomas
Fani Titi
Sir Chips Keswick resigned from the Board of Directors on 13 August 2010

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