Investec overview, governance, sustainability and remuneration report 2013
volume one

Out of the Ordinary®

Investec

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

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Investec Limited

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Sandown Sandton 2196
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Telephone (27 11) 286 7000
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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Transfer secretaries in the UK

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
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Telephone (44) 870 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
Samuel E Abrahams
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland*
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

* *Appointed on 1 March 2013.*

For contact details for Investec offices internationally refer to pages 122 and 123 in volume three.

For queries regarding information in this document

Investor Relations

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About this report

The 2013 integrated annual report covers the period 1 April 2012 to 31 March 2013 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For the year ended 31 March 2013, Investec plc and Investec Bank plc were regulated by the UK Financial Services Authority (FSA).However, on 1 April 2013 the FSA was abolished and the majority of its functions transferred to two new regulators: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). On the same date, the Bank of England (BoE) took over the FSA's responsibilities for financial market infrastructures and a Financial Policy Committee (FPC) was established on a statutory basis in the UK. Going forward, IBP will be authorised by the PRA and regulated by the FCA and the PRA. Kensington, Investec Wealth & Investment and Investec Asset Management will be authorised and regulated by the FCA. Accordingly, all references to the UK regulator in this annual report are to the FCA and PRA.

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Investec overview, governance, sustainability and remuneration report

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Investec financials and shareholder information report

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on the inside back cover

Page references

Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

Contents

Overview of the year

Highlights

The successful strategic alignment of the group towards low capital intensive businesses over the past few years has resulted in a scaleable platform from which the group's Asset Management and Wealth Management businesses can continue to grow

The South African business reported an increase in operating profit of 13.4% in Rand terms benefiting from growth in revenue and fixed cost containment.

The UK business reported results slightly ahead of the prior year.

The Australian business returned to profitability as a result of a significant decline in impairments.

Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 13% over the year.

- The Asset Management and Wealth & Investment businesses reported solid results benefiting from higher levels of average funds under management and net inflows in excess of £4.9 billion
- The Specialist Banking business incurred lower impairments than the prior year, while operating profit before impairments declined marginally
- Recurring revenues as a proportion of total operating income rose to 68.6% (2012: 67.7%)
- Capital light businesses account for 49% of group income
- Impairments on loans and advances decreased by 22.8% with the credit loss charge on core loans improving from 1.12% at 31 March 2012 to 0.84%
- We maintained a strong capital position with tier 1 ratios of 11.0% for Investec plc and 10.8% for Investec Limited
- Liquidity remains strong with cash and near cash balances amounting to £9.8 billion (2012: £10.3 billion).

Our financial performance

Operating profit* before taxation increased 20.8%
(32.5% currency neutral)

2012	2013
£358.6mn	£433.2mn

Attributable earnings*^ increased 23.0%
(34.8% currency neutral)

2012	2013
£257.6mn	£316.7mn

Adjusted earnings per share (EPS)*^ increased 16.4%
(27.7% currency neutral)

2012	2013
31.8p	37.0p

Dividends per share increased 5.9%
(increase of 14.3% in Rands)

2012	2013
17.0p	18.0p

* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*
^ *After deducting preference dividends.*

***Note:** Amounts represented on a currency neutral basis assume that the closing and average exchange rates of the group's relevant exchange rates relative to Pounds Sterling remain the same as at 31 March 2013 when compared to 31 March 2012.*

Total shareholders' equity decreased 0.2%
(increase of 4.5% currency neutral)

2012 £4 013mn → 2013 £4 005mn

Third party assets under management increased 14.4%
(20.6% currency neutral)

2012 £96.8bn → 2013 £110.7bn

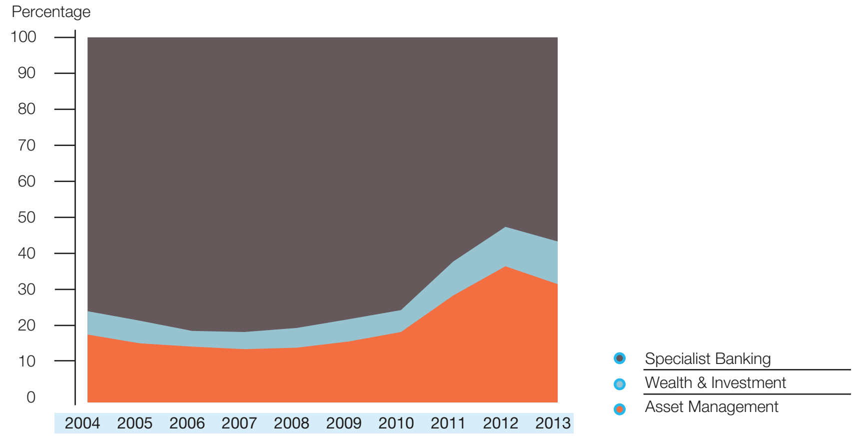
Core loans and advances to customers increased 1.0%
(8.1% currency neutral)

2012 £18.2bn → 2013 £18.4bn

Customer deposits decreased 3.2%
(increase of 3.7% currency neutral)

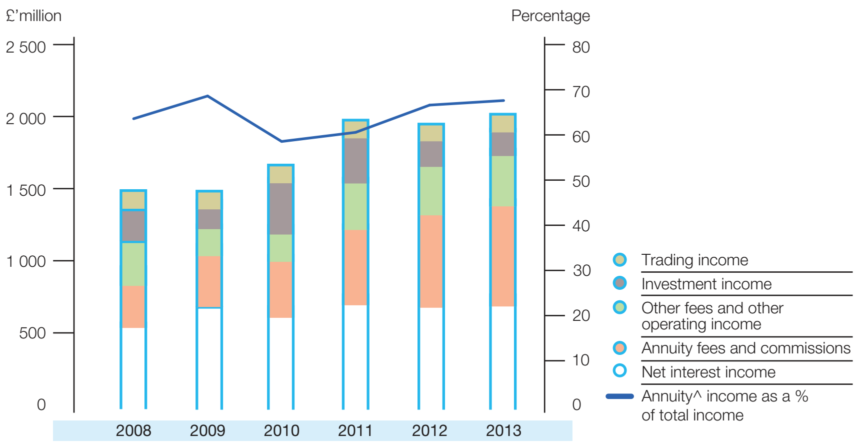
2012 £25.3bn → 2013 £24.5bn

% contribution of operating profit** to total group



** *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

Average recurring annuity income since 2008 of 66%



^ *Where annuity income is net interest income and annuity fees.*

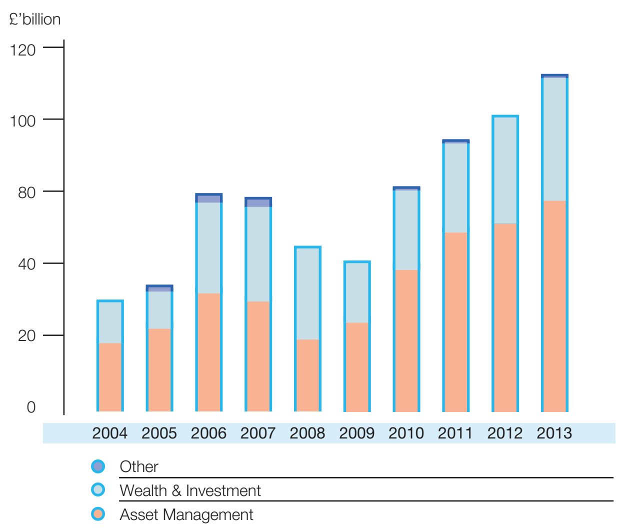
Continued growth in key earnings drivers…

Funds under management up 14.4% (20.6% currency neutral)

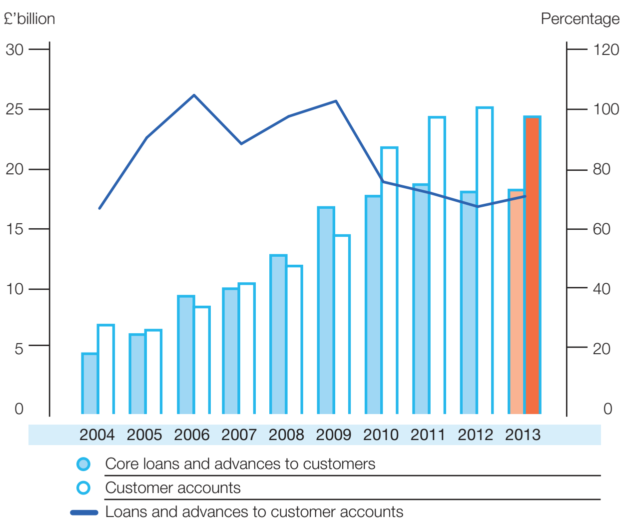
Customer accounts down 3.2% (up 3.7% currency neutral)

Core loans and advances up 1.0% (up 8.1% currency neutral)

Third party assets under management



Customer accounts (deposits) and loans



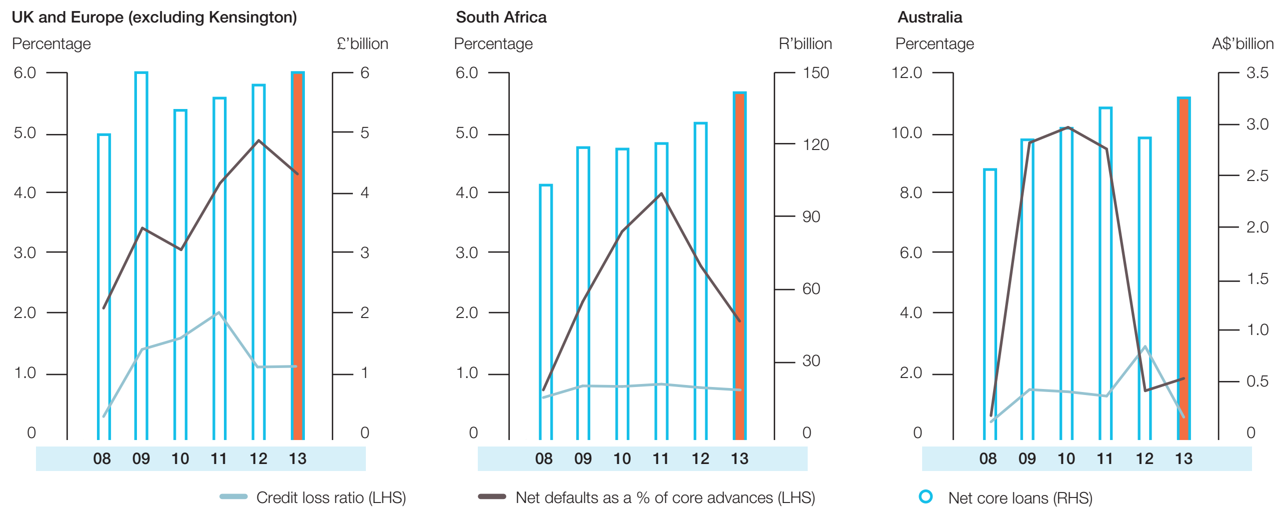
Lower impairments…

UK moderate decrease in impairments

South Africa marginal increase in impairments in Rands

Australian credit loss ratio substantially down

Asset quality trends

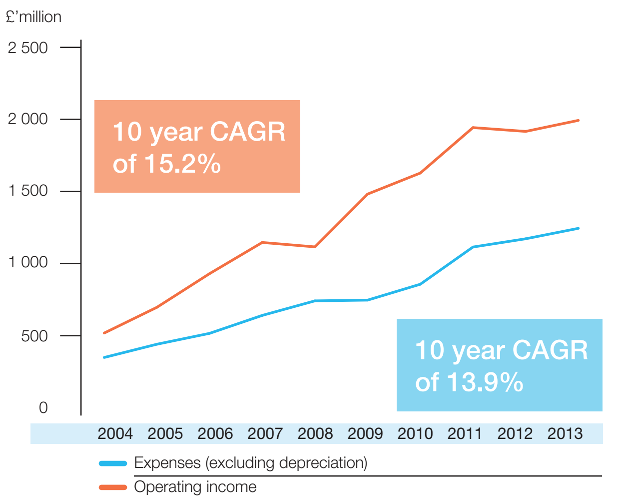


Moderate increase in costs…

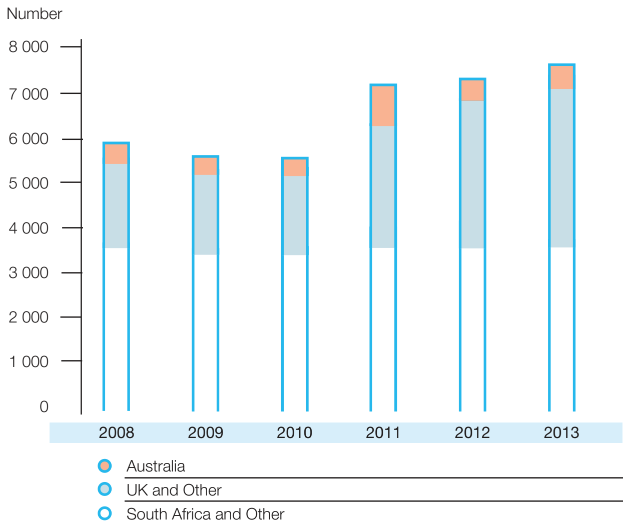
Expenses impacted by acquisitions
Cost to income: 65.5% from 64.7%

Headcount impacted by acquisitions
Total permanent employees of 7 575

Jaws ratio



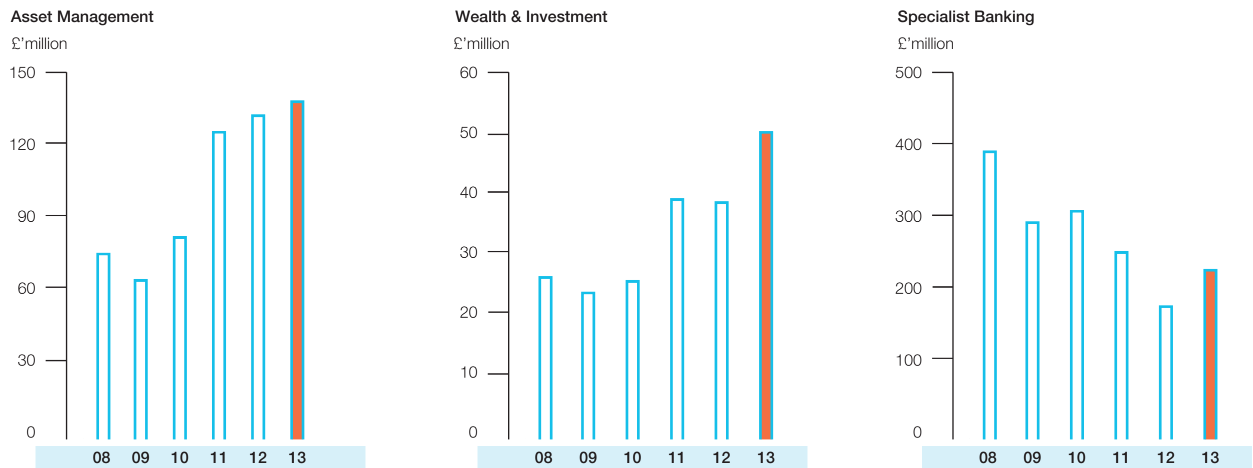
Headcount* relatively stable



* Permanent headcount and includes acquisitions.

Resulting in increased operating profit from all three of our businesses…

Operating profit* by business



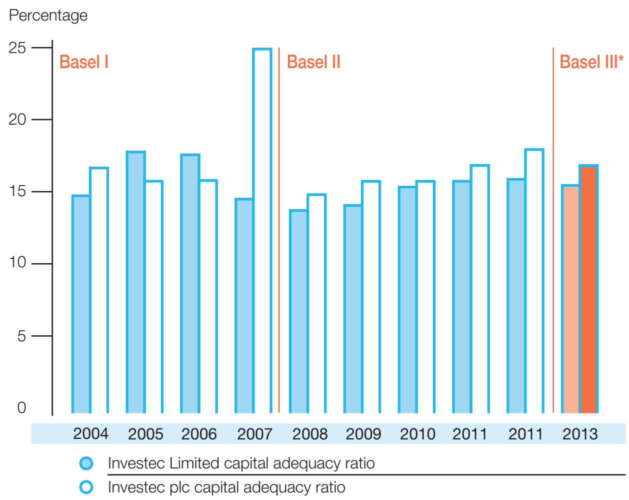
* Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.

Stable capital position…

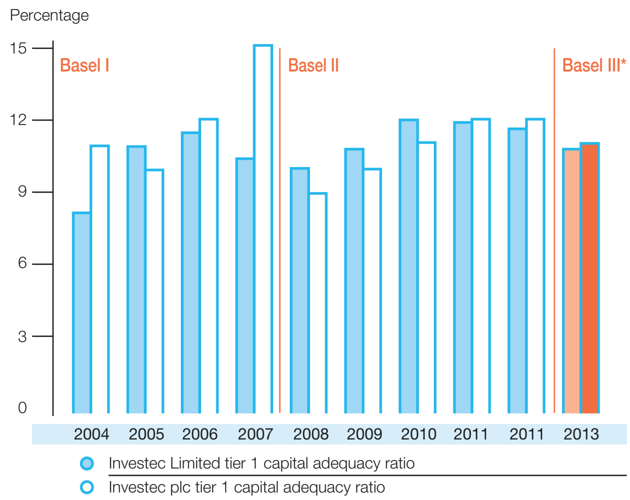
Target 2013: 14% – 17%

Target 2013: 10.5% (adjusted from 11% as a consequence of Basel III)

Capital adequacy



Tier 1



* *In South Africa and Australia.*

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high quality liquid assets – representing 25% to 35% of our liability base
- Diversifying funding sources
- Limiting concentration risk
- Reduced reliance on wholesale funding.

Achieved capital targets across all geographies

The intimate involvement of senior management ensures stringent management of risk and liquidity

Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy

Investec has maintained a strong capital base and has met its targets in this period

A well established liquidity management philosophy remains in place

An increase in customer deposits in all three core geographies in home currencies

Advances as a percentage of customer deposits is at 71.3% (2012: 67.8%)

Liquidity remains strong with cash and near cash balances amounting to £9.8 billion (2012: £10.3 billion).

The value we've added

For further information download the sustainability report available on our website.

Contributing to society, macro-economic stability and the environment

For Investec, sustainability is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients and stakeholders' wealth based on strong relationships of trust.

This commitment to sustainability means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this is solid corporate governance, that ensures sustainable management with a long-term vision.

£12 million spent on employee training and development

£4.9 million spent on our communities

R3.2 billion committed to renewable energy in SA (to be drawn down over the next two – three years)

Value added statement

£'000	31 March 2013	31 March 2012
Net income generated		
Interest receivable	2 131 765	2 299 925
Other income	1 300 657	1 243 994
Interest payable	(1 429 239)	(1 600 878)
Other operating expenditure and impairments on loans	(597 812)	(635 456)
	1 405 371	1 307 585
Distributed as follows:		
Employees	692 061	622 386
Salaries, wages and other benefits		
Government	312 568	332 057
Corporation, deferred payroll and other taxes		
Shareholders	185 321	172 575
Dividends paid to ordinary shareholders	147 660	134 436
Dividends paid to preference shareholders	37 661	38 139
Retention for future expansion and growth	215 421	180 567
Depreciation	46 372	57 424
Retained income for the year	169 049	123 143
	1 405 371	1 307 585

Investec conducts its commitment to sustainability through three key focus areas:

Profit

The financial strength and resilience of Investec depends on a balanced business model that supports our long term growth vision through varying economic cycles.

People

We invest in the communities in which we operate recognising that education and entrepreneurship are integral to our own long term strategy.

The sustainability of our business depends largely on our people and positioning Investec as an attractive employer in the financial services industry. We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance.

Planet

Effective environmental management is an essential part of our embedding front-of-mind consciousness of sustainability into the organisation.

We are increasingly incorporating environmental considerations into our daily business activities and are exploring the many valuable opportunities in cleaner energy sources, energy efficiency and responsible financing.

Recognition

Investec in the UK

- Community Impact category of the National Business Charity Awards
- Platinum Award in the Clean City Awards Scheme 2012 for the seventh consecutive year
- Investec Guernsey won the CSR Community Award.

Investec in South Africa

- Voted number one employer among business professionals.

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

Who we are

Investec (comprising Investec plc and Investec Limited) is an international, specialist bank and asset manager.

Founded as a leasing company in Johannesburg in 1974	We acquired a banking licence in 1980 and were listed on the Johannesburg Stock Exchange (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 an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia as well as certain other countries.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

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 an 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.

We value

1 Distinctive performance

Outstanding talent – empowered, enabled and inspired

Meritocracy

Passion, energy, stamina, tenacity

Entrepreneurial spirit

2 Client focus

Distinctive offering

Leverage resources

Break china for the client

3 Cast-iron integrity

Moral strength

Risk consciousness

Highest ethical standards

4 Dedicated partnership

Respect for others

Embrace diversity

Open and honest dialogue

Unselfish contribution to colleagues, clients and society

Our philosophies

Single organisation

Meritocracy

Focused businesses

Differentiated, yet integrated

Material employee ownership

Creating an environment that stimulates extraordinary performance

Our strategic goals and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

The Investec distinction

1 Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing client relationships
- High level of service by being nimble, flexible and innovative.

2 Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

3 Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

4 Strong culture

- Strong, entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

Our strategy

Our strategy for the past 20 years has been to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our current strategy

- Maintain momentum in Asset Management
- Internationalise our Wealth & Investment business
- Simplify the Specialist Banking business model
- Leverage our extensive client base through greater utilisation of our products and services across the group
- Continue to attract new clients, extending the depth and breadth of the franchise.

Our long-term internationalisation strategy

- Follow our customer base
- Gain domestic competence and critical mass in our chosen geographies
- Facilitate cross-border transactions and flow.

Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well defined target clients:

Asset Management (Operating completely independently)	Specialist Banking	Wealth & Investment
Corporate/institutional/government	Corporate/institutional/government; Private Client (High net worth/high income)/charities/trusts	Private Client (High net worth/high income)/charities/trusts
Investment management services	Advisory Transactional banking Lending Treasury and trading Investment activities	Investment management services Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are not over reliant on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

Capital light activities	Capital intensive activities
Contribute 49% to group income	Contribute 51% to group income
• Asset management • Wealth management • Advisory services • Transactional banking services • Property funds	• Lending portfolios • Investment portfolios • Trading income – client flows – balance sheet management
Fees and commission income	Net interest, investment and trading income

Types of income

Our operational footprint

We have built a solid international platform, with diversified revenue streams and geographic diversity

Investec in total

Operating profit*
£433.2mn

Assets
£51 000.0mn

NAV**
£2 720.1mn

Permanent employees
7 575

COI^
65.5%

ROE^
9.5%

UK and Other

- In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London
- Since that date, we have expanded organically and through a number of strategic acquisitions
- Developed capabilities in all three of our core activities
- Listed in London in July 2002, through the implementation of a dual listed companies structure
- Established and recognised brand
- 13th largest bank in the UK
- Built an extensive quality client base from c50 000 in 2008 to >300 000 today
- Top 3 player in our chosen niches
  - Leading asset manager with market leading products
  - One of the UK's leading private client investment managers with significant opportunity
  - Specialist Banking leading franchise in UK mid cap corporate markets (FTSE250) and well-recognised private banking brand which is expanding into transactional banking.

Southern Africa

- Founded as a leasing company in 1974
- Acquired a banking licence in 1980
- Listed on the JSE Limited South Africa in 1986
- In 2003 we implemented a 25.1% empowerment shareholding transaction
- Fifth largest bank in the country
- Market leading position in all three of our core activities
- Full service offering to governments, corporates and private clients
  - Second largest Asset Manager with track record of growth and innovation
  - Top Wealth Manager and now part of global platform starting to leverage the franchise
  - Full service Specialist Banking offering a high quality innovative solution with leading positions in selected areas.

Australia

- Entered the market in 1997
- Significantly expanded our capabilities in 2001 through the acquisition of Wentworth Associates, one of the leading corporate finance boutiques in Australia
- In 2002 we received a banking licence which opened up many growth opportunities
- Have grown our business organically and through select strategic acquisitions
- Established a core business in Professional Finance and Investment Banking
- Developing our Corporate and Institutional Banking business
- Building cross-border activities, especially in Resources and Mining
- Gateway to Asia

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 47.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 49.*

Our operational footprint (continued)

Operating profit* of the UK operations increased 6.9% to £144.4 million

Total deposit book	Total core loans	Total funds under management
£9.6bn	£6.0bn	£66.3bn

As a % of total group:

- 33.3% Operating profit*
- 39.4% Assets
- 35.0% NAV**
- 44.3% Permanent employees

Actual:

- 70.0% COI^
- 6.6% ROE^

Operating profit* of the Southern African operations decreased 1.4% to £285.4 million, but was up 13.4% in home currency

Total deposit book	Total core loans	Total funds under management
£13.3bn	£10.2bn	£44.1bn

As a % of total group:

- 65.9% Operating profit*
- 54.1% Assets
- 52.2% NAV**
- 49.5% Permanent employees

Actual:

- 56.5% COI^
- 14.9% ROE^

Operating profit* of the Australian operations £3.4 million (2012: loss of £65.9 million)

Total funds under management	Total core loans	Total deposit book
£0.3bn	£2.2bn	£1.7bn

As a % of total group:

- 0.8% Operating profit*
- 6.5% Assets
- 12.8% NAV**
- 6.2% Permanent employees

Actual:

- 84.0% COI^
- 1.2% ROE^

Our three distinct business activities are focused on well-defined target clients

Asset Management

Provides investment management services

1991
Established a platform in South Africa and grown organically.

Today
- Independent global platform with competitive investment performance in chosen specialities
- Institutional focus and global client base
- Funds under management of £69.8 billion
- 1 161 employees.

Looking forward
- Continue to grow business organically
- Focus on increasing funds under management and quality and depth across businesses.

Wealth & Investment

Provides investment management services and independent financial planning advice

1986
Acquired Metboard in South Africa which did portfolio management.

Today
- Consolidated wealth management offering
- Market leader in South Africa and UK
- Superior offering that can be leveraged with group distribution capabilities
- Funds under management of £40.4 billion
- 1 245 employees.

Looking forward
- Opportunity to position as an international Wealth & Investment business with an integrated offering
- Focus on broadening the client base and markets.

Specialist Banking

Provides a broad range of services:
- Advisory
- Transactional banking
- Lending
- Treasury and trading
- Investment activities

1980
Established banking business enabling Investec to expand into areas of corporate and professional banking.

Today
- High quality specialist banking solution to corporate, institutional, government and private clients with leading positions in selected areas
- 5 169 employees.

Looking forward
- Opportunity to be best service provider across a broad spectrum of products and services
- Focus on leveraging extensive client base.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 47.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 50.*

Our operational footprint (continued)

	As a % of total group	Actual

Operating profit* of Asset Management increased 4.8% to £140.2 million

Segregated mandates	Mutual funds	Total funds under management
£41.0bn	£28.8bn	£69.8bn

As a % of total group:
- 32.4% Operating profit*
- 1.2% Assets
- 1.2% NAV**
- 15.3% Permanent employees

Actual:
- 65.5% COI^
- 95.1% ROE^

Operating profit* of Wealth & Investment increased 30.9% to £50.7 million

Discretionary funds under management	Non-discretionary and other funds under management	Total funds under management
£19.0bn	£21.4bn	£40.4bn

As a % of total group:
- 11.7% Operating profit*
- 4.2% Assets
- 0.5% NAV**
- 16.4% Permanent employees

Actual:
- 79.7% COI^
- 15.8% ROE^

Operating profit* of Specialist Banking increased 30.1% to £242.3 million

Total deposit book	Total core loans
£24.5bn	£18.4bn

As a % of total group:
- 55.9% Operating profit*
- 94.6% Assets
- 98.3% NAV**
- 68.3% Permanent employees

Actual:
- 62.8% COI^
- 8.0% ROE^

Our operational structure

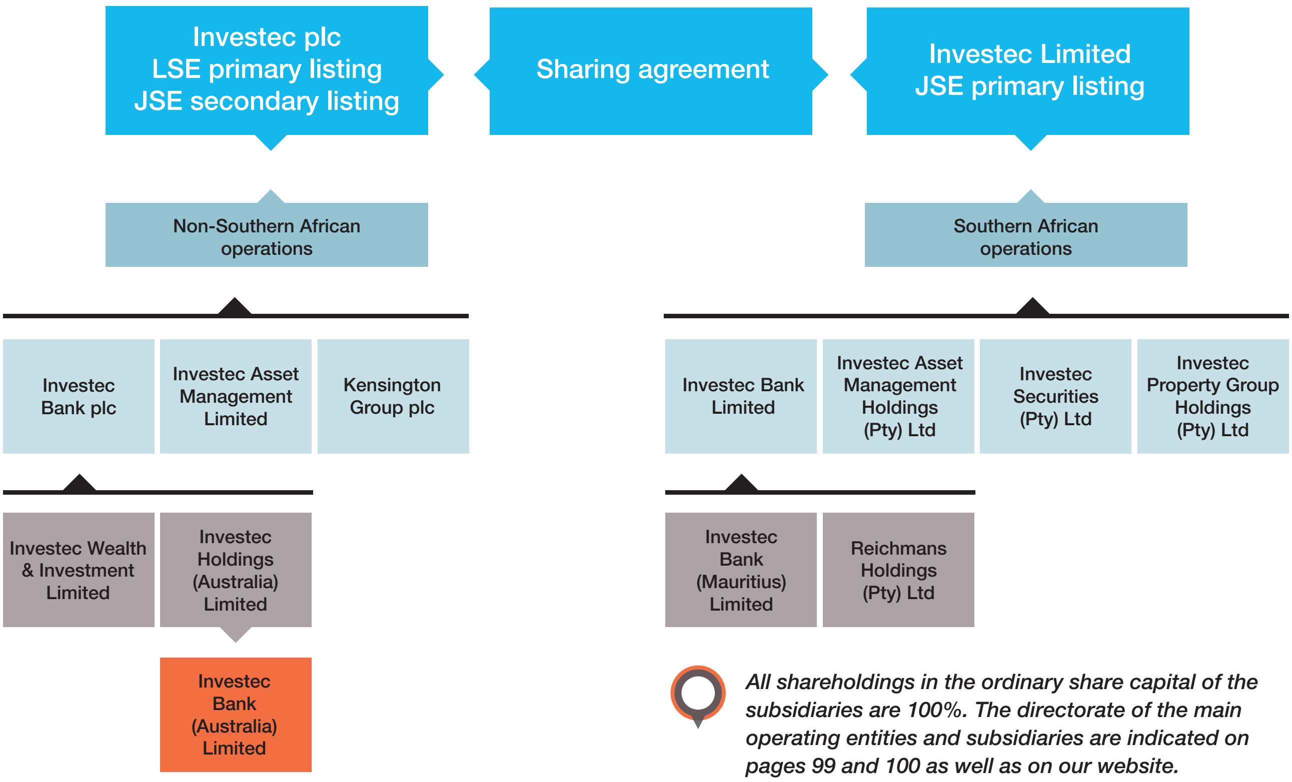
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

Operating structure

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

Our DLC structure and main operating subsidiaries as at 31 March 2013



All shareholdings in the ordinary share capital of the subsidiaries are 100%. The directorate of the main operating entities and subsidiaries are indicated on pages 99 and 100 as well as on our website.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Operating financial review

We are pleased to report improved results for the year ended 31 March 2013. The strategic realignment of the group as a specialist bank and asset manager and the focus of developing capital light revenue streams is paying off. We were satisfied with the progress made in both our Asset Management and Wealth & Investment businesses. Furthermore, substantial progress was made in implementing the One Bank process to create the appropriate base for future growth and development of the Specialist Bank.

Summary of group performance

The group achieved an increase in adjusted operating profit of 20.8% to £433.2 million (2012: £358.6 million). Adjusted EPS increased 16.4% from 31.8 pence to 37.0 pence. Distributions to shareholders increased from 17 pence to 18 pence resulting in a dividend cover of 2.1 times (2012: 1.9 times).

The Asset Management and Wealth & Investment businesses have benefited from higher levels of average funds under management and net inflows in excess of £4.9 billion. This has resulted in recurring income amounting to 68.6% of total operating income (2012: 67.7%).

Impairments in the Specialist Bank have decreased by 22.8% from the prior year resulting in a strong increase in operating profit. We continue to maintain a sound balance sheet, appropriate capital and a robust liquidity profile.

Overall group results have been negatively impacted by the depreciation of the Rand of approximately 13% against our presentation currency, Pounds Sterling. The latter months of the financial year saw a strong rally in equity markets which was overshadowed by difficult conditions on the ground and low levels of corporate activity. Interest rates remained at historically low economic levels in all three geographies in which we operate, as monetary policy remained accommodative.

Operating environment across our key geographies

South Africa

The South African economy had its challenges as strong equity returns were annulled by labour unrest and weak global demand, negatively impacting the currency and economic growth rates.

The South African banking system continues to be highly regarded, maintaining its second ranking in the World Economic Forum's Global Competitiveness Report. South Africa's credit rating was, however, downgraded as the country's consolidated deficit widened to around 4.8% of GDP. We were pleased to see the recent adoption of the National Development Plan by government, the effective implementation of which we believe is key to the transformation of South Africa's economic landscape.

We remain committed to achieving and sustaining an equitable workplace that encourages diversity. Meaningful engagement and consultation took place with employees across the group as part of a process to develop a new Employment Equity Plan, which was submitted to the Department of Labour during the period. Building skills in entrepreneurship and the hard sciences is essential to achieve sustainable transformation. We recently launched an enterprise development programme to back entrepreneurs who manage their own businesses and have potential to grow and create jobs. Recognising that there is a significant shortage of skills in maths and science in South Africa, development of proficiency in these subjects remains a key focus of our corporate social investment programme.

United Kingdom and Other

The UK economy had another poor year of growth, narrowly missing a 'triple dip' recession. Towards the end of the period, the UK was downgraded by credit rating agencies as a result of disappointing short-term growth prospects and the continuation of the deleveraging process.

The Retail Distribution Review became effective in the UK during the period, the full impact of which will take a number of years to materialise. We do not however, envisage this regulation having a material effect on our business model. We maintain an open and compliant relationship with regulators and continue to adjust to the new regulatory environment.

Turning our attention towards the continent, the euro zone endured another year of uncertainty, living in recession throughout the period under review. The Irish economy, however, grew 0.9% and set its sights on recovery as it entered a second year of consecutive growth. Our UK and European activities showed moderate growth with a good performance from our Wealth & Investment business, a stable performance from our Asset Management business and a subdued performance from our Specialist Bank which continued to be affected by elevated impairments and a higher cost of funds. The marginal cost of funds declined significantly during the latter part of the year which should result in an improvement in our net interest margin in the future.

Optimism that the euro zone crisis is over and that the UK economy is starting to recover is becoming more prevalent. This view is supported by both a recovery in equity markets and a reduction in bond yields in peripheral Europe. This at some point should translate into improved activity levels in the real economy resulting in a more positive environment going forward.

Australia

The Australian economy grew at pre-crisis levels in 2012, reaching 3.1% growth for the year. Most of this was realised during the first quarter as growth slowed in subsequent quarters due to lowered expectations on China's GDP and demand for commodities. This slowdown resulted in the RBA pushing cash rates down to a record low of 3%.

Since 31 March, the economy has continued to struggle with its transition to a 'post mining investment boom' world. This has resulted in further interest rate cuts and a weaker Australian Dollar and is expected to have a positive effect on the non-mining economy.

Growth from all three businesses

All three of our core businesses achieved growth for the financial year with Asset Management and Wealth & Investment contributing 44% to group operating profit.

Asset Management

For the 2013 financial year, Asset Management increased operating profit by 4.8% to £140.2 million (2012: £133.7 million), benefiting from higher funds under management, net inflows of £4.1 billion and strong growth in performance fees. Total funds under management amounted to £69.8 billion (2012: £61.6 billion). Asset Management has established an international investment platform and a global distribution network with the aim of continuing to drive organic growth by providing a quality service and above benchmark performance to its client base.

During the financial year we announced the sale of a 15% equity stake in the Asset

Management business to top management personnel, with the option to acquire an additional 5%. The transaction is designed to ensure continuity and to retain and incentivise the senior management team that has been so instrumental in the success of the business to date. We believe that institutional clients are attracted to asset management companies that have significant operational independence and alignment of incentive structures to long-term performance.

Wealth & Investment

From a macro-economic perspective, Wealth & Investment has benefited from a rise in equity markets supported by a rotation from bonds into equities. Operating profit increased by 30.9% to £50.7 million (2012: £38.7 million) benefiting from higher average funds under management and net inflows of £0.8 billion. Total funds under management have grown to £40.4 billion (2012: £34.8 billion).

The UK business is in a consolidation phase as Williams de Broë was migrated onto the group's platforms in August 2012 and the business was rebranded as Investec Wealth & Investment. Costs relating to integration are reflected in the group's 2013 results, but are largely non-repeatable as the business sets to improve operating margins over the next few years. The South African business saw an increase in the conversion of non-discretionary to discretionary client mandates, resulting in strong growth in discretionary funds under management.

Wealth & Investment continues to drive the internationalisation of its client offering, leverage off the group's banking client base as well as broaden the understanding of all services available behind the Investec brand.

Specialist Banking

For the 2013 financial year, the Specialist Banking business increased operating profit 30.1% to £242.3 million (2012: £186.2 million).

In South Africa, the division reported an increase in net interest due to higher lending and fixed income balances, whilst investment income was bolstered from a solid performance from the private equity and investment property portfolios. Net fees and commissions and trading income from customer flow were negatively impacted by lower activity in the Corporate and Institutional Banking businesses.

The UK benefited from an increase in net fees and commissions in the Corporate Advisory business. Levels of transactional activity within the Private Banking and Corporate and Institutional Banking businesses were mixed, but with a promising pipeline developing. The principal investment portfolios performed well and the division recorded good growth in its professional and specialised lending and asset finance portfolios. The bank looks to reduce excess liquidity and to gain market share in niches where we believe we can compete effectively.

Over the past year, our Australian business returned to profitability. A stable operating environment allowed for solid revenues in our Corporate Advisory and Corporate Lending businesses, as well as consistent activity in our Private Banking business. Going forward, our key focus will be to reshape the business to achieve strategic alignment with the broader group and to generate appropriate returns for shareholders.

Building for the long term

Investec believes that in order to grow and prosper in years to come we need to contribute positively towards our communities, our staff and the economy. We continue to invest in education and entrepreneurship as well as in numerous training and development programmes for our employees. We are dedicated to preserving our natural environment, to reducing our carbon footprint and to playing a broader role in the support and upliftment of the societies in which we operate.

Tribute to our people

Some of our key differentiators are our service levels and steadfast relationships with clients. These aspects of our company are a direct result of the dedication and hard work of our employees, whom we would like to thank for contributing to an improved set of annual results.

We would like to bid farewell to the head of our Australian business, David Clark, who has helped to successfully rebuild and rebrand Investec in Australia. We would also like to thank Sam Abrahams for his dedicated 15 years of service to Investec as a non-executive and eight years as the chairman of the group's audit committees. We would further like to welcome David Friedland to our board of non-executive directors and to his new role as chairman of the group's audit committees.

The past couple of years have been very testing for the financial services industry. Investec has successfully navigated the storm with the confidence of its investors and clients. We thank you for your unwavering support.

Outlook

We have continued to improve efficiencies, streamline our processes, eliminate duplication and build scale. Our focus is to fully leverage the strength of the franchise and to continue deepening our core business activities, while ensuring that each division and geography makes a notable contribution to the group performance.

Although global markets remain challenging, the recent improvement in equity markets bodes well for our business. With the rebalancing of the group between capital light and capital intensive activities, we believe that we have the right mix of businesses and revenue streams to capture the benefits of a sustained market upturn and to drive longer-term performance.

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser	Fani Titi	Stephen Koseff	Bernard Kantor
Joint chairman	Joint chairman	Chief executive officer	Managing director

(References to 'operating profit' in the text above relates to operating profit before taxation, goodwill, acquired intangibles, non-operating items and after non-controlling interests.)

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 21 to 136 as well as volume two, which elaborate on the aspects highlighted in this review.

Financial review

Introduction

Investec operates under a DLC structure with 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 year-end 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 position 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.

	31 March 2013		31 March 2012	
Currency per £1.00	Period end	Average	Period end	Average
South African Rand	13.96	13.44	12.27	11.85
Australian Dollar	1.46	1.53	1.54	1.52
Euro	1.18	1.23	1.20	1.16
US Dollar	1.52	1.58	1.60	1.60

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 depreciated by 13.4% and the closing rate has depreciated by 13.8% since 31 March 2012.

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

	Results reported at 31 March 2013	Currency neutral results reported at 31 March 2013**
Southern African operating profit before tax (£'000)*	285 362	327 527
Southern African profit after tax and non-controlling interests (£'000)*	236 669	271 376
Total group operating profit before tax (£'000)*	433 170	475 335
Total group adjusted earnings attributable to ordinary shareholders (£'000)*	316 709	347 252
Adjusted EPS (pence)*	37.0	40.6
Total assets (£'million)	51 000	54 780
Total shareholders' equity (£'million)	4 005	4 193

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

** *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2012. For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior year, i.e. 11.85.*

Ten year review

Salient features*

For the year ended 31 March**	2013	2012	% change 2013 vs 2012
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)Ø	433 170	358 625	20.8%
Operating profit: Southern Africa (% of total)Ø	65.9%	80.7%	
Operating profit: UK, Europe, Australia and Other (% of total)Ø	34.1%	19.3%	
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	316 709	257 579	23.0%
Headline earnings (£'000)	272 626	217 253	25.5%
Cost to income ratio	65.5%	64.7%	
Staff compensation to operating income ratio	43.7%	43.0%	
Return on average adjusted shareholders' equity (post-tax)	9.5%	7.8%	
Return on average adjusted tangible shareholders' equity (post-tax)	11.7%	9.6%	
Return on average risk-weighted assets	1.09%	0.91%	
Operating profit per employee (£'000)	54.4	47.8	13.8%
Net interest income as a % of operating income	35.0%	36.2%	
Non-interest income as a % of operating income	65.0%	63.8%	
Recurring income as a % of total operating income	68.6%	67.7%	
Effective operational tax rate	18.1%	18.1%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	5 756	5 505	4.6%
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 005	4 013	(0.2%)
Shareholders' equity (excluding non-controlling interests) (£'million)	3 725	3 716	0.2%
Total assets (£'million)	51 000	51 550	(1.1%)
Net core loans and advances to customers (including own originated securitised assets) (£'million)	18 415	18 226	1.0%
Net core loans and advances to customers as a % of total assets	36.1%	35.4%	
Cash and near cash balances (£'million)	9 828	10 251	(4.1%)
Customer accounts (deposits) (£'million)	24 532	25 344	(3.2%)
Third party assets under management (£'million)	110 678	96 776	14.4%
Capital adequacy ratio: Investec plc°	16.9%	17.5%	
Capital adequacy tier 1 ratio: Investec plc	11.0%	11.6%	
Capital adequacy ratio: Investec Limited°	15.5%	16.1%	
Capital adequacy tier 1 ratio: Investec Limited	10.8%	11.6%	
Credit loss ratio (core income statement impairment change as a % of average gross core loans and advances)	0.84%	1.12%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	2.73%	3.31%	
Gearing/leverage ratio (assets excluding assurance assets to total equity)	11.2x	11.3x	
Core loans to equity ratio	4.6x	4.5x	
Loans and advances to customers: customer deposits	71.3%	67.8%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)#	37.0	31.8	16.4%
Headline earnings per share (pence)#	31.9	26.8	19.0%
Basic earnings per share (pence)#	32.5	25.7	26.5%
Diluted earnings per share (pence)#	30.6	24.3	25.9%
Dividends per share (pence)#	18.0	17.0	5.9%
Dividend cover (times)	2.1	1.9	10.5%
Net tangible asset value per share (pence)#	391.5	392.0	(0.1%)
Net asset value per share#	318.2	317.0	0.4%
Weighted number of ordinary shares in issue (million)#	856.0	809.6	5.7%
Total number of shares in issue (million)#	884.8	874.0	1.2%
Closing share price (pence)#	459	382	20.2%
Market capitalisation (£'million)	4 061	3 340	21.6%
Number of employees in the group (including temps and contractors)	8 151	7 781	4.8%
Closing ZAR:£ exchange rate	13.96	12.27	13.8%
Average ZAR:£ exchange rate	13.44	11.85	13.4%

* *Refer to definitions on the inside back cover.*

** *The numbers prior to 2005 are reported in terms of UK GAAP, and thereafter in terms of IFRS.*

^ *Calculation not comparable.*

° *Information prior to 2008 is in terms of Basel information for Investec Limited, for 2013 is in terms of Basel III.*

2011	2010	2009	2008	2007	2006	2005	2004
434 406	432 258	396 766	508 717	466 585	388 767	224 124	132 260
69.1%	67.2%	74.0%	66.7%	57.6%	68.3%	66.9%	58.6%
30.9%	32.8%	26.0%	33.3%	42.4%	31.7%	33.1%	41.4%
327 897	309 710	269 215	344 695	300 704	230 017	149 510	106 203
286 659	275 131	261 627	301 499	294 881	222 805	147 037	105 752
61.7%	57.8%	55.9%	56.1%	59.0%	58.7%	67.4%	72.7%
40.7%	36.1%	34.9%	37.2%	40.9%	40.1%	43.4%	47.3%
11.2%	13.5%	14.8%	23.6%	26.1%	25.5%	20.0%	15.4%
13.2%	15.4%	17.4%	28.6%	31.7%	32.7%	28.8%	25.6%
1.23%	1.33%	1.36%	^	^	^	^	^
64.4	69.7	62.6	84.4	92.3	91.5	48.6	25.9
34.9%	37.0%	46.6%	39.3%	29.2%	26.8%	23.2%	18.8%
65.1%	63.0%	53.4%	60.7%	70.8%	73.2%	76.8%	81.2%
62.3%	60.4%	70.0%	65.1%	58.7%	56.9%	59.2%	62.6%
15.5%	20.6%	21.1%	22.6%	26.3%	27.3%	28.8%	21.0%
5 249	4 362	3 762	3 275	2 665	2 042	1 579	1 303
3 961	3 292	2 621	2 210	1 820	1 512	1 076	805
3 648	2 955	2 297	1 911	1 542	1 226	931	682
50 941	46 572	37 365	34 224	26 300	23 901	19 917	15 319
18 758	17 891	16 227	12 854	10 095	9 605	6 408	4 846
36.8%	38.4%	43.4%	37.7%	38.4%	40.2%	32.2%	31.6%
9 319	9 117	4 866	5 028	Δ	Δ	Δ	Δ
24 441	21 934	14 573	12 133	10 650	8 699	6 805	7 211
88 878	74 081	48 828	52 749	56 121	56 331	33 855	30 138
16.8%	15.9%	16.2%	15.3%	24.7%	17.7%	16.1%	17.3%
11.6%	11.3%	10.1%	9.2%	14.8%	11.6%	9.5%	11.2%
15.9%	15.6%	14.2%	13.9%	14.7%	16.3%	17.9%	15.1%
11.9%	12.0%	10.8%	10.0%	10.4%	11.5%	10.9%	8.3%
1.27%	1.16%	1.08%	0.51%	0.17%	0.11%	0.28%	0.48%
4.66%	3.98%	3.28%	1.29%	0.92%	0.52%	0.31%	1.26%
11.3x	12.5x	13.0x	13.8x	12.2x	12.5x	14.8x	15.6x
4.7x	5.4x	6.2x	5.8x	5.5x	6.4x	6.0x	6.0x
72.4%	76.2%	103.6%	98.4%	89.1%	105.6%	91.2%	67.2%
43.2	45.1	42.4	56.9	53.3	41.9	26.9	20.8
37.7	40.1	41.2	49.7	52.3	40.6	26.5	20.7
49.7	44.0	38.5	57.7	54.7	53.8	17.8	12.0
46.7	41.5	36.1	54.0	50.4	50.0	17.1	11.9
17.0	16.0	13.0	25.0	23.0	18.2	13.4	11.6
2.5	2.8	3.3	2.3	2.3	2.3	2.0	1.8
343.8	324.1	266.3	215.0	178.6	148.9	99.2	83.0
416.0	364.0	308.8	260.6	216.0	182.1	135.4	128.4
759.8	686.3	634.6	606.2	563.8	548.8	555.5	511.5
810.0	741.0	713.2	657.6	609.3	593.0	593.0	593.0
478	539	292	339	658	588	311	218
3 872	3 993	2 083	2 229	4 009	3 488	1 844	1 292
7 237	6 123	5 951	6 333	5 430	4 453	4 163	4 458
10.88	11.11	13.58	16.17	14.20	10.72	11.73	11.67
11.16	12.38	14.83	14.31	13.38	11.43	11.47	12.02

For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006.

Ø *Information prior to 2008 is shown before non-controlling interests and thereafter post non-controlling interests.*

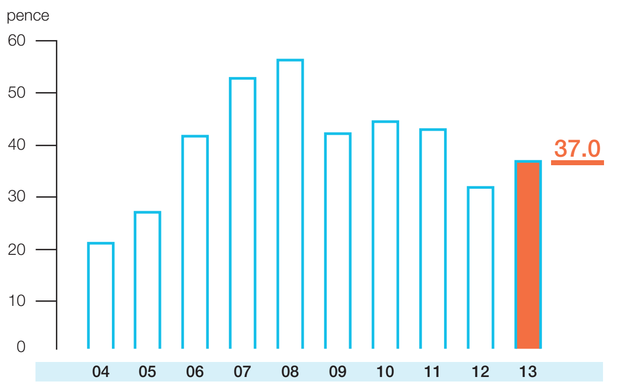
Δ *Information not previously disclosed in this format.*

Track record

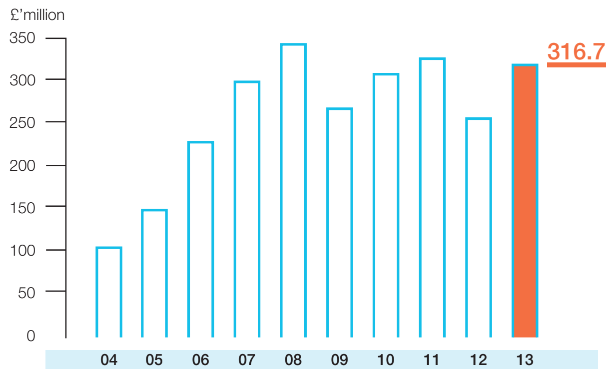
Up 16.4% to 37.0 pence

Up 23.0% to £316.7 million

Adjusted earnings per share*



Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items

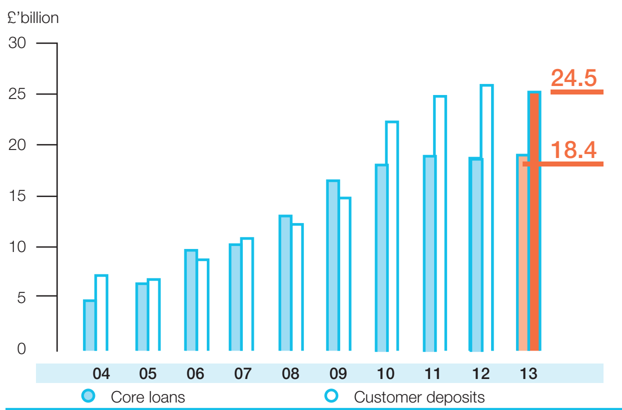


* *Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

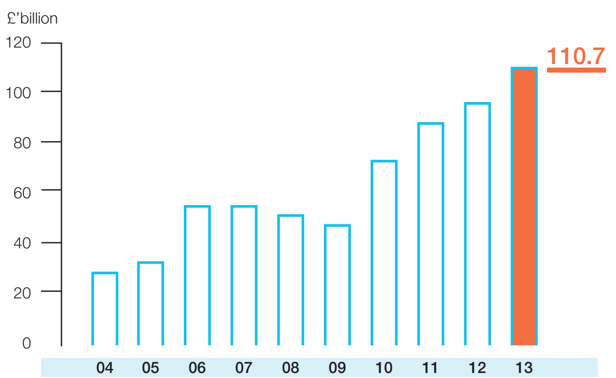
Core loans: up 1.0% to £18.4 billion since 31 March 2012 – an increase of 8.1% on a currency neutral basis**
Deposits: down 3.2% to £24.5 billion since 31 March 2012 – an increase of 3.7% on a currency neutral basis**

Up 14.4% to £110.7 billion since 31 March 2012 – an increase of 20.6% on a currency neutral basis**
Net inflows of £4.9 billion

Core loans and customer deposits



Third party assets under management



** *Currency neutral basis: calculation assumes that the closing exchange rates of the group's relevant exchange rates, as reflected on page 21, remain the same as at 31 March 2013 when compared to 31 March 2012.*

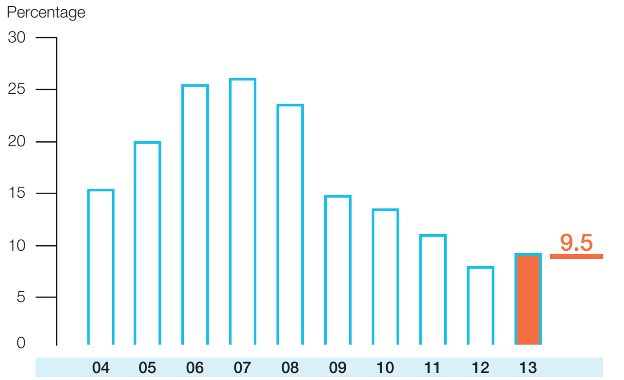
Note:
Results are shown for the year ended 31 March, unless otherwise stated. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

Financial objectives

Target

We have set the following target over the medium to long term:
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

ROE*

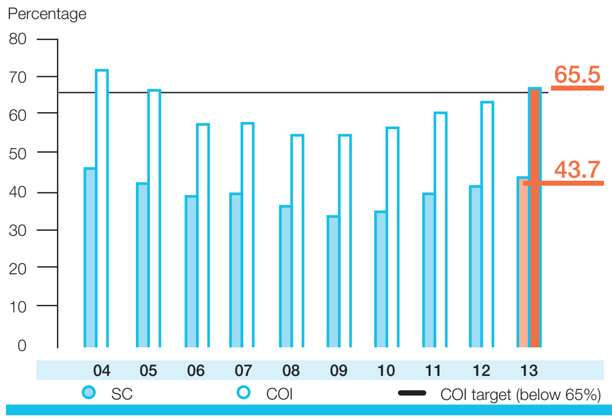


* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 48.*

Target

We have set the following target over the medium to long term:
Group COI ratio: less than 65% in Pounds Sterling

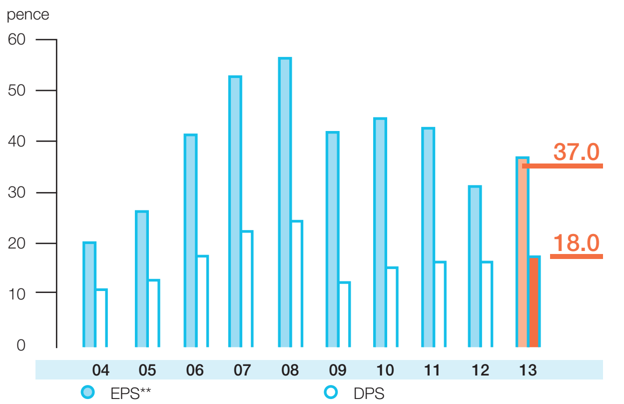
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



Target

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.

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

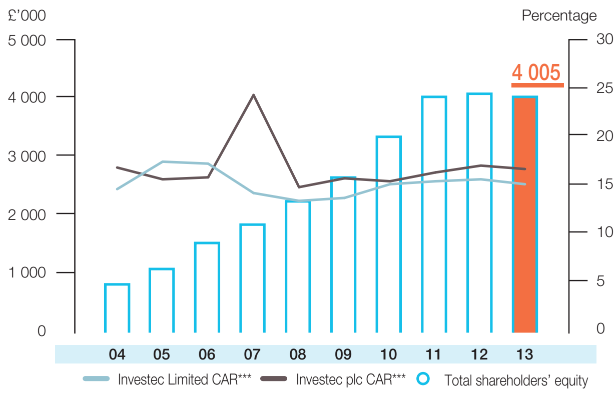


** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on the inside back cover. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

Target

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 of 10.5% (adjusted from 11% as a consequence of Basel III).

Total shareholders' equity and capital adequacy ratios (CAR)



*** *Capital adequacy figures prior to 2008 are disclosed under Basel I and thereafter under Basel II for Investec plc and at 31 March 2013 under Basel III for Investec Limited.*

Note:
The numbers shown in the financial objectives graphs on pages 24 and 25 are for the years ended 31 March, unless otherwise stated. The numbers prior to 2005 are reported in terms of UK GAAP.

An overview of the operating environment impacting our business

South Africa

Our views

South Africa has seen many considerable successes in the past two decades on the significant rise in economic freedom resulting from the abolition of apartheid. As the entire population obtained the right to self determination, from where to live, work and invest, to what to consume, trade and own (including land), economic freedom and hence growth improved substantially.

Economic growth 2011/12	Economic growth 2012/13
2.2%	2.5%

Real income per capita has risen

2012	2013
R36 903	R37 476

South Africa's economy has essentially doubled in real terms, generating substantial upward social mobility, with most now experiencing a significantly higher standard of living.

Indeed, the direct, positive correlation between economic freedom and wealth creation, economic growth, poverty reduction, higher levels of investment and greater equality generated economic growth of 3.2% a year since 1994, compared to only 1.6% per annum in the final eighteen years of apartheid.

Real after-tax income has risen to an average of R24 761 per person, from 1994's R17 320, effectively doubling real tax revenues and affording the considerable expansion of the social welfare net, including the provision of free basic services and direct monetary transfers to the poor. The state provision of basic services has been extensive; 63% to 94% of households now live with sanitation, in formal homes with electricity and access to clean water respectively (in 1994 access to these respective services ranged from 50% to 64%).

While it is impossible to sustainably eradicate the legacy of apartheid in a comparatively short space of time (without state penury), government's service delivery has been negatively impacted by high costs (due in part to inefficiencies, wastage and corruption) which has contributed to both higher budget deficits and borrowing requirements. In combination with the recent violent strikes, that cut economic growth and widened the balance of payments deficit, Moody's, Standard and Poor's and Fitch downgraded South Africa's long-term foreign currency credit rating. The chance of further downgrades has been lowered by the marked lessening in disruptive strike action and recent moderation in projected real government expenditure, as well as maintaining the forecast period during which planned fiscal consolidation is reached.

South Africa's private sector continues to be highly ranked in the World Economic Forum's Global Competitiveness Survey, retaining first place for the third year in a row for both the regulation of the country's securities exchange (JSE) and strength of auditing and reporting standards. South Africa retains its second place in terms of soundness of banks (for the second year) and is now placed first on the efficacy of its corporate boards. However, government provision of healthcare, education and safety and security is ranked amongst the worst in the world, while the level of co-operation between labour and corporates is ranked the lowest in the one hundred and forty-four World Economic Forum's country survey.

Consequently the recent National Development Plan, an economic framework for South Africa until 2030, focuses on addressing these problems, along with unemployment rate, poverty and inequality, by professionalising the civil service, improving the quality of healthcare and education, increasing exports and support for small businesses and so promoting higher incomes via productivity growth.

The need for strong leadership and effective government is also clearly recognised by the ruling party, with additional aims of improving investment and innovation levels, efficient and competitive infrastructure and a labour market that is more responsive to economic opportunity.

United Kingdom

Our views

Whilst a 'triple dip' recession during this period seemed to have been avoided, at the end of the financial year UK output still stood 2.6% below its pre-crisis peak, some five years after the initial move into recession.

Economic growth 2011/12	Economic growth 2012/13
0.3%	0.2%

Real income per capita has risen

2012	2013
£24 031	£24 373

Over the 2012/13 financial year, UK economic growth remained lacklustre.

Seeking to support the UK economy onto a firmer footing, but stopping short of a sustained push for a stronger recovery because of above target inflation, the UK Monetary Policy Committee kept policy expansionary during the period.

The bank rate remained at a record low of 0.5% whilst the Bank of England, at the end of the period, had bought around £375 billion of assets via its Quantitative Easing (QE) programme, having upped that total by £50 billion during the course of the year.

The bank also launched the Funding for Lending Scheme in August 2012 in an effort to boost overall and small business focused lending; material results have yet to be seen, though it is still relatively early days.

The UK was stripped of its AAA long-term sovereign credit rating during the financial year with Moody's cutting its rating with a one notch downgrade to Aa1, with a stable outlook, in February 2013.

In March 2013, Fitch put the UK on ratings watch negative (downgrading it to AA+ in April). As the review period closed, Standard and Poor's had a negative outlook on the UK's rating. However, there was not a long lasting market reaction to the news of these downgrades with confidence aided by the Chancellor sticking rigidly to his goals of fiscal consolidation and a broad plan for achieving this, albeit with success in the headline fiscal metrics so far limited.

Australia

Our views

The Australian economy expanded by 3.1% in 2012, up from its 2.6% 2011 growth rate and in line with the average growth rate for the pre-2008 crisis decade.

Economic growth 2011/12	Economic growth 2012/13
2.6%	3.1%

Real income per capita has risen

2012	2013
A$63 744	A$65 612

Growth started 2012 robustly, but softened to stand at a quarterly pace of 0.6% in each of the second, third and fourth quarters of 2012, as China and the global economy more broadly lost growth momentum.

Furthermore, a squeeze on domestic expenditure through the fiscal consolidation programme also took its toll on the pace of Australian output expansion. Fears that the mining peak had now been passed as Chinese growth appeared to be moving onto a lower long-term track, pushed the Reserve Bank of Australia (RBA) into easing policy four times during the financial year, taking the RBA's cash rate down to a new record low of 3.00%, some 125 basis points lower than its position at the start of that period.

An overview of the operating environment impacting our business (continued)

United States

Our views

The steady US recovery over the three years since 2010 meant that at the end of the 2012/13 financial year, US GDP stood 3.3% up on its 2008 pre-crisis peak level.

The US economy expanded by 2.2% over 2012 and made a respectable start to 2013 recording growth of 2.5% on an annualised seasonally adjusted basis in Q1.

The payroll tax hike which came into effect in January 2013 and the sequester spending cuts which took effect in March 2013, both look set to slow growth sharply in the second quarter.

This improvement in the economic backdrop has also helped to support a modest recovery in the US job market with the unemployment rate having slid close to 7.5%. Broader measures of the US's recovery position have also built over the past year. The pace of loans to the commercial and industrial sector continued to grow at a rapid pace, helping to build the US's industrial recovery. In the housing sector, activity levels climbed sharply over the past year with the price recovery building too, helping to lift consumer sentiment with it.

Despite this improving picture, the US recovery still has some way to go; hence the Federal Reserve loosened policy over the past year. The Fed's policy package included the announcement of the second 'Operation Twist' phase in June 2012, followed by 'QE3' through which, by the start of 2013, the Federal Reserve was purchasing a total of U$85 billion of Mortgage Backed Securities and longer-term Treasury securities per month. Those purchases were still ongoing at the end of the financial year, as the US central bank sought to maintain accommodation in the face of the fiscal squeeze from the payroll tax hike and as the squeeze of the sequester loomed.

Euro zone

The Euro crisis rumbled on through the financial year. From a relatively calm spring, once Greece's debt restructuring had been dealt with in March 2012, market turmoil built through the summer. Peripheral government bonds came under pressure, with Spain and Italy both looking increasingly vulnerable to a bailout as their respective government bond yields tracked higher as sentiment soured once again. European Central Bank (ECB) President Mario Draghi sought to reinstall a state of calm to markets by saying he would do whatever it took to save the Euro whilst unveiling the ECB's new rescue backstop, Outright Monetary Transactions (OMT). Under the OMT the ECB offered the reassurance that it would purchase short-term government bonds, acting as a backstop, subject to conditions being satisfied by the country requesting assistance. The promise of the OMT backstop was enough, without its deployment, to help to bring down peripheral bond yields significantly and calm Euro crisis strains. However, tensions over Greece resurfaced in the autumn, related to whether the Troika would be able to sign off on a revised bailout and release further urgently needed aid cash because of significant slippage in Greece's reform and fiscal objectives. Greece was eventually granted the aid cash, as it signed up to a refreshed reform programme and tensions subsequently calmed. But almost as soon as Greek fears had been addressed, Cyprus came into focus as the next problem. Cyprus eventually ended up the recipient of a full bailout agreement in March 2013, but not before faith in the rescue backstops had been thoroughly shaken with uninsured depositors and senior bondholders both initially put in line for losses as part of the Cypriot agreement. Hence, whilst the Euro survived another turbulent year, 2012/13 closed on a sour note with questions being asked about the robustness of the backstop and rescue mechanisms in place to cope with further rounds of turmoil. The macro-economy of the Euro area did not fare any better, re-entering recession from Q2 2012 with that weakness having persisted into the first quarter of 2013 too.

Operating environment

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	Period ended 31 March 2013	Period ended 31 March 2012	% change	Average over the period 1 April 2012 to 31 March 2013
Market indicators				
FTSE All share	3 381	3 003	12.6%	3 060
JSE All share	39 861	33 554	18.8%	36 682
Australia All ords	4 980	4 420	12.7%	4 503
S&P	1 569	1 408	11.4%	1 420
Nikkei	12 336	10 084	22.3%	9 601
Dow Jones	14 579	13 212	10.3%	13 244
Rates				
UK overnight	0.42%	0.48%		0.45%
UK 10 year	1.76%	2.20%		1.82%
UK Clearing Banks Base Rate	0.50%	0.50%		0.50%
LIBOR – three month	0.51%	1.03%		0.69%
SA R157 (2015)	5.48%	6.69%		5.68%
Rand overnight	4.76%	5.26%		4.92%
SA prime overdraft rate	8.50%	9.00%		8.65%
JIBAR – three month	5.13%	5.60%		5.24%
Reserve Bank of Australia cash target rate	3.00%	4.25%		3.38%
US 10 year	1.85%	2.21%		1.76%
Commodities				
Gold	USD1 596/oz	USD1 667/oz	(4.3%)	USD1 654/oz
Gas Oil	USD928/mt	USD1 014/mt	(8.5%)	USD950/mt
Platinum	USD1 576/oz	USD1 639/oz	(3.8%)	USD1 556/oz
Macro-economic				
UK GDP (% change over the period)	0.20%	0.30%		
UK per capita GDP	24 373	24 031	1.4%	
South Africa GDP (% real growth over the calendar year in Rand)	2.50%	2.20%		
South Africa per capita GDP (real value in Rand)	37 476	36 903	1.6%	
Australia GDP (% change over the period)	3.10%	2.60%		
Per capita GDP (A$)	65 612	63 744	2.9%	

Source: Datastream, Bloomberg's, Office for National Statistics, SARB Quarterly Bulletin, Australian Bureau of Statistics.

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 three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking.

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

Specialist Banking

Asset Management

Key income drivers

- Fixed fees as a percentage of assets under management
- Variable performance fees

Income statement – primarily reflected as

- Fees and commissions

Income impacted primarily by

- Movements in the value of the assets underlying client portfolios
- Performance of portfolios against set benchmarks
- Net sales

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients

Income statement – primarily reflected as

- Fees and commissions

Income impacted primarily by

- Movement in the value of assets underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities	• Rate environment • Size of portfolios • Clients' capital and infrastructural investments • Client activity	• Net interest income • Fees and commissions • Investment income
• Cash and near cash balances	• Rate environment • Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements	• Net interest income • Trading income arising from balance sheet management activities
• Deposit and 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 • Regulatory requirements	• Net interest income • Fees and commissions
• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads	• Net interest income • Investment income
• Advisory services	• The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals	• Fees and commissions
• Derivative sales, trading and hedging	• Client activity • Market conditions • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Fees and commissions • Trading income arising from customer flow
• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure	• Net interest income • Fees and commissions

Key risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations.

These risks are summarised briefly in the table below with further detail provided in volumes one and two of the report. For additional information pertaining to the management and monitoring of these risks, see the references provided.

Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients. 10 – 39*	**Operational risk** may disrupt our business or result in regulatory action. 75 – 80*	**Legal and regulatory risks** are substantial in our businesses. 79 – 80*
Liquidity risk may impair our ability to fund our operations. 63 – 74*	We are exposed to **non-traded currency risk,** where fluctuations in exchange rates against Pounds Sterling could have an impact on our financial results. 21	**Reputational, strategic** and **business risk.** 79*
Our net interest earnings and net asset value may be adversely affected by **interest rate risk.** 59 – 63*	We may be **vulnerable to the failure of our systems** and breaches of our security systems. 75 – 80*	We may be exposed to **pension risk** in our UK operations. 79*
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways. 40 – 58*	**We may have insufficient capital** in the future and may be unable to secure additional financing when it is required. 80 – 83*	**Employee misconduct** could cause harm that is difficult to detect. 75 – 80*
We may be unable to **recruit, retain and motivate key personnel.** 103 – 106	The **financial services industry** in which we operate is intensely competitive. 19, 20, 26 – 28	**Retail conduct risk** is the risk that we treat our customers unfairly and deliver inappropriate outcomes. **Wholesale conduct risk** is the risk of conducting ourselves negatively in the market. 80*

* *Refer to volume two.*

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

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 year 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 55 to 79.

Total operating income

Total operating income increased by 3.9% to £2 006.5 million (2012: £1 932.0 million). The various components of total operating income are analysed below.

£'000	31 March 2013	% of total income	31 March 2012	% of total income	% change
Net interest income	702 526	35.0%	699 047	36.2%	0.5%
Net fee and commission income	972 675	48.5%	884 234	45.8%	10.0%
Investment income	182 889	9.1%	174 327	9.0%	4.9%
Trading income arising from					
– customer flow	70 859	3.5%	77 066	4.0%	(8.1%)
– balance sheet management and other trading activities	35 398	1.8%	32 204	1.7%	9.9%
Other operating income	42 153	2.1%	65 128	3.3%	(35.3%)
Total operating income before impairments	2 006 500	100.0%	1 932 006	100.0%	3.9%

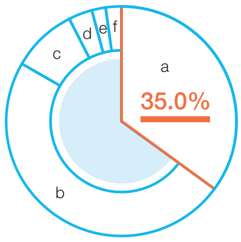
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the year under review.

£'000	31 March 2013	% of total income	31 March 2012	% of total income	% change
UK and Other	1 069 093	53.3%	1 015 292	52.5%	5.3%
Southern Africa	804 685	40.1%	814 958	42.2%	(1.3%)
Australia	132 722	6.6%	101 756	5.3%	30.4%
Total operating income before impairments	2 006 500	100.0%	1 932 006	100.0%	3.9%

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review.

£'000	31 March 2013	% of total income	31 March 2012	% of total income	% change
Asset Management	407 191	20.3%	375 602	19.4%	8.4%
Wealth & Investment	248 988	12.4%	196 473	10.2%	26.7%
Specialist Banking	1 350 321	67.3%	1 359 931	70.4%	(0.7%)
Total operating income before impairments	2 006 500	100.0%	1 932 006	100.0%	3.9%

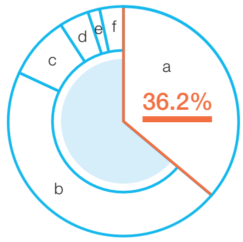
% of total operating income before impairment losses on loans and advances



31 March 2013

£2 006.5 million total operating income before impairment losses on loans and advances

a	Net interest income	35.0%
b	Net fee and commission income	48.5%
c	Investment income	9.1%
d	Trading income arising from customer flow	3.5%
e	Trading income arising from balance sheet management and other trading activities	1.8%
f	Other operating income	2.1%



31 March 2012

£1 932.0 million total operating income before impairment losses on loans and advances

a	Net interest income	36.2%
b	Net fee and commission income	45.8%
c	Investment income	9.0%
d	Trading income arising from customer flow	4.0%
e	Trading income arising from balance sheet management and other trading activities	1.7%
f	Other operating income	3.3%

Net interest income

Net interest income increased by 0.5% to £702.5 million (2012: £699.0 million) due to growth in the lending and fixed income portfolios. This was offset by less interest earned on the legacy portfolios which are running down, higher subordinated debt costs and a lower return on the group's liquid asset and cash portfolio.

£'000	31 March 2013	31 March 2012	Variance	% change
Asset Management	4 501	5 163	(662)	(12.8%)
Wealth & Investment	9 049	10 083	(1 034)	(10.3%)
Specialist Banking	688 976	683 801	5 175	0.8%
Net interest income	702 526	699 047	3 479	0.5%

A further analysis of interest received and interest paid is provided in the tables below.

For the year ended 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest received	Southern Africa Balance sheet value	Southern Africa Interest received	Australia Balance sheet value	Australia Interest received	Total group Balance sheet value	Total group Interest received
Cash, near cash and bank debt and sovereign debt securities	1	5 318 479	47 639	7 622 170	315 841	707 398	16 076	13 648 047	379 556
Core loans and advances	2	6 045 063	357 343	10 164 864	853 372	2 205 046	180 301	18 414 973	1 391 016
Private client		3 024 629	162 618	6 900 949	557 108	1 402 295	112 566	11 327 873	832 292
Corporate, institutional and other clients		3 020 434	194 725	3 263 915	296 264	802 751	67 735	7 087 100	558 724
Other debt securities and other loans and advances		1 958 072	144 138	594 817	18 425	22 506	18 205	2 575 395	180 768
Other interest earning assets	3	2 769 126	160 682	113 466	19 743	–	–	2 882 592	180 425
Total interest earning assets		16 090 740	709 802	18 495 317	1 207 381	2 934 950	214 582	37 521 007	2 131 765

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*

For the year ended 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt related securities	4	3 629 822	70 621	2 717 887	70 864	470 689	32 436	6 818 398	173 921
Customer accounts		9 560 920	222 703	13 278 098	669 085	1 692 820	79 411	24 531 838	971 199
Other interest bearing liabilities	5	2 195 422	63 119	490 591	54 652	477 903	30 486	3 163 916	148 257
Subordinated liabilities		664 624	62 714	1 004 562	69 987	82 620	3 161	1 751 806	135 862
Total interest bearing liabilities		16 050 788	419 157	17 491 138	864 588	2 724 032	145 494	36 265 958	1 429 239
Net interest income			290 645		342 793		69 088		702 526

For the year ended 31 March 2012 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest received	Southern Africa Balance sheet value	Southern Africa Interest received	Australia Balance sheet value	Australia Interest received	Total group Balance sheet value	Total group Interest received
Cash, near cash and bank debt and sovereign debt securities	1	4 873 561	50 414	8 201 778	381 875	1 010 485	59 939	14 085 824	492 228
Core loans and advances	2	5 788 127	359 715	10 489 947	919 639	1 948 308	186 654	18 226 382	1 466 008
Private client		3 431 420	200 531	7 836 733	669 917	1 593 600	158 697	12 861 753	1 029 145
Corporate, institutional and other clients		2 356 707	159 184	2 653 214	249 722	354 708	27 957	5 364 629	436 863
Other debt securities and other loans and advances		1 165 015	80 347	528 434	27 469	81 860	4 311	1 775 309	112 127
Other interest earning assets	3	4 393 682	206 197	139 452	23 365	–	–	4 533 134	229 562
Total interest earning assets		16 220 385	696 673	19 359 611	1 352 348	3 040 653	250 904	38 620 649	2 299 925

For the year ended 31 March 2012 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt related securities	4	3 962 118	90 387	2 336 209	59 332	777 186	62 939	7 075 513	212 658
Customer accounts		9 459 554	204 365	14 347 614	812 466	1 536 603	83 708	25 343 771	1 100 539
Other interest bearing liabilities	5	2 361 985	53 614	549 786	63 666	526 946	33 569	3 438 717	150 849
Subordinated liabilities		661 920	60 890	784 501	71 596	46 355	4 346	1 492 776	136 832
Total interest bearing liabilities		16 445 577	409 256	18 018 110	1 007 060	2 887 090	184 562	37 350 777	1 600 878
Net interest income			287 417		345 288		66 342		699 047

See notes on next page.

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

Net fee and commission income

Net fee and commission income increased by 10.0% to £972.7 million (2012: £884.2 million). The group benefited from higher average funds under management, solid net inflows and the acquisitions of Evolution Group plc and the NCB Group. The Specialist Banking business recorded an increase in net fees and commissions largely due to a good performance by the Corporate Advisory, Aviation Finance and Transactional Banking divisions. The Corporate and Institutional Banking and Prime Broking businesses recorded lower levels of activity.

£'000	31 March 2013	31 March 2012	Variance	% change
Asset Management	393 116	367 856	25 260	6.9%
Wealth & Investment	237 560	186 181	51 379	27.6%
Specialist Banking	341 999	330 197	11 802	3.6%
Net fee and commission income	972 675	884 234	88 441	10.0%

Further information on net fees by type of fee and geography is provided in the tables below.

For the year ended 31 March 2013 £'000	UK and Other	Southern Africa	Australia	Total group
Fund management fees/fees for assets under management	458 321	201 181	3 972	663 474
Private client transactional fees	83 926	62 610	9 579	156 115
Corporate and institutional transactional and advisory services	159 373	92 709	45 880	297 962
Fee and commission income	701 620	356 500	59 431	1 117 551
Fee and commission expense	(127 170)	(13 180)	(4 526)	(144 876)
Net fee and commission income	574 450	343 320	54 905	972 675
Annuity fees (net of fees payable)	392 722	254 456	26 137	673 315
Deal fees	181 728	88 864	28 768	299 360

For the year ended 31 March 2012 £'000	UK and Other	Southern Africa	Australia	Total group
Fund management fees/fees for assets under management	404 327	188 953	5 674	598 954
Private client transactional fees	62 486	65 295	9 251	137 032
Corporate and institutional transactional and advisory services	138 312	115 550	23 531	277 393
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Net fee and commission income	490 317	358 836	35 081	884 234
Annuity fees (net of fees payable)	339 849	255 826	14 115	609 790
Deal fees	150 468	103 010	20 966	274 444

Investment income

Investment income increased by 4.9% to £182.9 million (2012: £174.3 million) due to a strong performance from the South African Property business and the group's unlisted investment portfolios. This was partially offset by lower income earned on the fixed income portfolio in the UK.

£'000	31 March 2013	31 March 2012	Variance	% change
Asset Management	36	25	11	44.0%
Wealth & Investment	555	(392)	947	>100.0%
Specialist Banking	182 298	174 694	7 604	4.4%
Investment income	182 889	174 327	8 562	4.9%

Further information on investment income is provided in the tables below.

For the year ended 31 March 2013 £'000	UK and Other	Southern Africa	Australia	Total group
Realised	58 572	110 824	1 752	171 148
Unrealised	35 103	(20 334)	(1 654)	13 115
Dividend income	2 999	11 572	240	14 811
Funding and other net related (costs)/income	1 445	(17 830)	200	(16 185)
Investment income	98 119	84 232	538	182 889

For the year ended 31 March 2013 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	35 032	56 919	–	6 168	98 119
Realised	917	51 302	–	6 353	58 572
Unrealised	31 116	5 617	–	(1 630)	35 103
Dividend income	2 999	–	–	–	2 999
Funding and other net related (costs)/income	–	–	–	1 445	1 445
Southern Africa	35 728	4 819	44 818	(1 133)	84 232
Realised	51 938	–	61 548	(2 662)	110 824
Unrealised	(15 476)	4 819	(9 599)	(78)	(20 334)
Dividend income	11 572	–	–	–	11 572
Funding and other net related (costs)/income	(12 306)	–	(7 131)	1 607	(17 830)
Australia	(2 412)	1 617	–	1 333	538
Realised	64	1 617	–	71	1 752
Unrealised	(2 716)	–	–	1 062	(1 654)
Dividend income	240	–	–	–	240
Funding and other net related (costs)/income	–	–	–	200	200
Total investment income	68 348	63 355	44 818	6 368	182 889

* *Including embedded derivatives (warrants and profit shares).*

For the year ended 31 March 2012 £'000	UK and Other	Southern Africa	Australia	Total group
Realised	102 280	47 548	(8 929)	140 899
Unrealised	11 652	1 837	(66)	13 423
Dividend income	1 890	34 353	521	36 764
Funding and other net related (costs)/income	–	(16 759)	–	(16 759)
Investment income	115 822	66 979	(8 474)	174 327

For the year ended 31 March 2012 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	43 049	59 734	–	13 039	115 822
Realised	26 230	62 960	–	13 090	102 280
Unrealised	14 929	(3 226)	–	(51)	11 652
Dividend income	1 890	–	–	–	1 890
Funding and other net related (costs)/income	–	–	–	–	–
Southern Africa	47 919	5 391	19 454	(5 785)	66 979
Realised	49 878	902	(3 232)	–	47 548
Unrealised	(19 565)	4 576	22 611	(5 785)	1 837
Dividend income	34 357	(79)	75	–	34 353
Funding and other net related (costs)/income	(16 751)	(8)	–	–	(16 759)
Australia	1 544	(334)	–	(9 684)	(8 474)
Realised	1 539	(784)	–	(9 684)	(8 929)
Unrealised	(66)	–	–	–	(66)
Dividend income	71	450	–	–	521
Funding and other net related (costs)/income	–	–	–	–	–
Total investment income	92 512	64 791	19 454	(2 430)	174 327

* *Including embedded derivatives (warrants and profit shares).*

Trading income

Trading income arising from customer flow decreased 8.1% to £70.9 million (2012: £77.1 million) whilst trading income arising from other trading activities increased by 9.9% to £35.4 million (2012: £32.2 million) due to effective balance sheet management.

Arising from customer flow

£'000	31 March 2013	31 March 2012	Variance	% change
Asset Management	–	–	–	n/a
Wealth & Investment	687	108	579	>100.0%
Specialist Banking	70 172	76 958	(6 786)	(8.8%)
Customer flow trading income	70 859	77 066	(6 207)	(8.1%)

Arising from balance sheet management and other trading activities

£'000	31 March 2013	31 March 2012	Variance	% change
Asset Management	(45)	380	(425)	n/a
Wealth & Investment	360	97	263	>100.0%
Specialist Banking	35 083	31 727	3 356	10.6%
Income arising from balance sheet management and other trading activities	35 398	32 204	3 194	9.9%

Other operating income

Other operating income includes associate income, assurance income and income earned on an operating lease portfolio acquired.

Impairment losses on loans and advances

Impairments on loans and advances decreased from £325.1 million to £251.0 million. The UK reported a moderate decrease whilst impairments in Australia were £50 million lower than the prior year. The South African business reported a marginal increase in impairments in Rands.

Since 31 March 2012 the level of defaults has improved with the percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounting to 2.73% (2012: 3.31%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.26 times (2012: 1.39 times). The credit loss charge as a percentage of average gross core loans and advances has improved from 1.12% at 31 March 2012 to 0.84%.

Further information is provided on page 29 in volume two.

£'000	31 March 2013	31 March 2012	Variance	% change
UK and Other	(171 187)	(187 920)	16 733	(8.9%)
Southern Africa	(61 976)	(69 326)	7 350	(10.6%)
Australia	(17 849)	(67 872)	50 023	(73.7%)
Total impairment losses on loans and advances	(251 012)	(325 118)	74 106	(22.8%)
Impairment losses on loans and advances in home currency				
Southern Africa (R'mn)	(833)	(824)	9	(1.1%)
Australia (A$'mn)	(27.3)	(106.1)	(78.8)	(74.3%)

Operating costs and depreciation

The ratio of total operating costs to total operating income amounted to 65.5% (2012: 64.7%).

Total operating expenses grew by 5.9% to £1 302.9 million (2012: £1 230.6 million) as a result of the acquisitions of the Evolution Group plc, the NCB Group and Alliance Equipment Finance.

Financial review (continued)

£'000	31 March 2013	% of total expenses	31 March 2012	% of total expenses	% change
Staff costs	(877 237)	66.5%	(831 076)	66.0%	5.6%
– fixed	(602 780)	45.7%	(575 962)	45.7%	4.7%
– variable	(274 457)	20.8%	(255 114)	20.3%	7.6%
Business expenses	(201 017)	15.2%	(190 512)	15.1%	5.5%
Premises expenses (excluding depreciation)	(73 643)	5.6%	(73 243)	5.8%	0.5%
Equipment expenses (excluding depreciation)	(65 092)	5.0%	(52 833)	4.2%	23.2%
Marketing expenses	(55 641)	4.2%	(54 210)	4.3%	2.6%
Depreciation and impairment of property, plant, equipment and software	(30 299)	2.3%	(28 754)	2.3%	5.4%
Total operating expenses	(1 302 929)	98.8%	(1 230 628)	97.7%	5.9%
Depreciation on operating leased assets	(16 072)	1.2%	(28 670)	2.3%	(43.9%)
Total expenses	(1 319 001)	100.0%	(1 259 298)	100.0%	4.7%

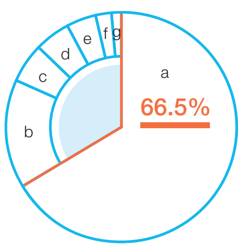
The following table sets out certain information on total expenses by geography for the year under review.

£'000	31 March 2013	% of total expenses	31 March 2012	% of total expenses	% change
UK and Other	(753 102)	57.0%	(700 320)	55.6%	7.5%
Southern Africa	(454 427)	34.5%	(459 213)	36.5%	(1.0%)
Australia	(111 472)	8.5%	(99 765)	7.9%	11.7%
Total expenses	(1 319 001)	100.0%	(1 259 298)	100.0%	4.7%

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

£'000	31 March 2013	% of total expenses	31 March 2012	% of total expenses	% change
Asset Management	(266 784)	20.2%	(241 529)	19.2%	10.5%
Wealth & Investment	(198 321)	15.1%	(157 799)	12.5%	25.7%
Specialist Banking	(853 896)	64.7%	(859 970)	68.3%	(0.7%)
Total expenses	(1 319 001)	100.0%	(1 259 298)	100.0%	4.7%

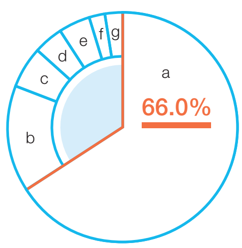
% of total expenses



31 March 2013

£1 319 million total expenses

a	Staff costs	66.5%
b	Business expenses	15.2%
c	Premises expenses	5.6%
d	Equipment expenses	5.0%
e	Marketing expenses	4.2%
f	Depreciation	2.3%
g	Depreciation on operating leased assets	1.2%



31 March 2012

£1 259 million total expenses

a	Staff costs	66.0%
b	Business expenses	15.1%
c	Premises expenses	5.8%
d	Equipment expenses	4.2%
e	Marketing expenses	4.3%
f	Depreciation	2.3%
g	Depreciation on operating leased assets	2.3%

Key income drivers in our core businesses

The information below reflects our key income drivers in our core businesses.

Asset Management

Global business (in Pounds)	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Operating margin	34.5%	35.7%	37.0%	33.4%	33.5%	35.1%
Net inflows in funds under management as a % of opening funds under management	6.7%	8.8%	16.0%	16.2%	2.6%	2.1%
Average income yield earned on funds under management^	0.62%	0.62%	0.66%	0.67%	0.70%	0.74%

Wealth & Investment

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Global business (in Pounds)						
Operating margin	20.3%	19.7%	25.9%	n/a*	n/a*	n/a*
Net organic growth in funds under management as a % of opening funds under management	2.0%	(5.3%)	6.2%	n/a*	n/a*	n/a*
Average income yield earned on funds under management^	0.66%	0.61%	0.55%	n/a*	n/a*	n/a*
UK and Other^^ (in Pounds)						
Operating margin	17.3%	16.3%	24.5%	n/a*	n/a*	n/a*
Net organic growth in funds under management as a % of opening funds under management	1.3%	(7.4%)	3.5%	n/a*	n/a*	n/a*
Average income yield earned on funds under management^	0.86%	0.80%	0.68%	n/a*	n/a*	n/a*
South Africa (in Rands)						
Operating margin	31.3%	28.5%	28.9%	35.5%	35.3%	40.2%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	13.9%	8.7%	6.0%	3.4%	(4.2%)	10.1%
Average income yield earned on funds under management^**	0.37%	0.39%	0.41%	0.41%	0.41%	0.41%

* *Prior to 25 June 2010, Rensburg Sheppards plc was an associate of Investec and not a 100% owned subsidiary.*

** *A large portion of the funds under management are discretionary funds.*

^ *The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods.*

^^ *Other comprises European Wealth Management, which prior to 1 July 2010 was part of the Private Bank, and NCB, which was acquired on 12 June 2012.*

Specialist Banking

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Global business (in Pounds)						
Cost to income ratio	62.8%	62.4%	60.1%	56.4%	54.5%	54.9%
ROE post-tax^	6.6%	5.1%	8.2%	11.4%	13.4%	22.2%
Growth in net core loans	1.0%	(2.8%)	4.8%	10.3%	26.2%	27.3%
Growth in risk-weighted assets	6.0%	0.6%	14.1%	16.4%	15.9%	n/a
Credit loss ratio on core loans	0.84%	1.12%	1.27%	1.16%	1.08%	0.51%
UK and Other (in Pounds)						
Cost to income ratio	65.0%	63.7%	63.2%	61.3%	60.0%	64.0%
ROE post-tax^	2.7%	2.5%	3.3%	8.2%	7.1%	13.3%
Growth in net core loans	3.4%	3.8%	2.6%	(8.8%)	10.3%	36.3%
Growth in risk-weighted assets	8.1%	4.6%	9.6%	5.3%	3.8%	n/a
Credit loss ratio on core loans	1.26%	1.22%	2.50%	1.85%	1.55%	0.46%
Southern Africa (in Rands)						
Cost to income ratio	55.5%	55.2%	54.7%	49.8%	48.5%	47.6%
ROE post-tax^	10.0%	9.6%	10.7%	13.8%	18.2%	24.8%
Growth in net core loans	10.2%	6.6%	0.3%	1.9%	14.1%	33.5%
Growth in risk-weighted assets	16.5%	11.9%	13.8%	3.6%	11.1%	n/a
Credit loss ratio on core loans	0.61%	0.65%	0.71%	0.68%	0.69%	0.48%
Australia (in Australian Dollars)						
Cost to income ratio	83.4%	96.9%	69.7%	61.9%	63.1%	59.4%
ROE post-tax^	1.1%	(10.8%)	1.6%	3.6%	0.6%	12.0%
Growth in net core loans	7.1%	(9.3%)	9.4%	3.4%	13.4%	60.9%
Growth in risk-weighted assets	14.7%	(11.9%)	16.9%	(4.3%)	2.9%	n/a
Credit loss ratio on core loans	0.85%	3.13%	1.53%	1.70%	2.23%	0.98%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate to derive post-tax numbers.*

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

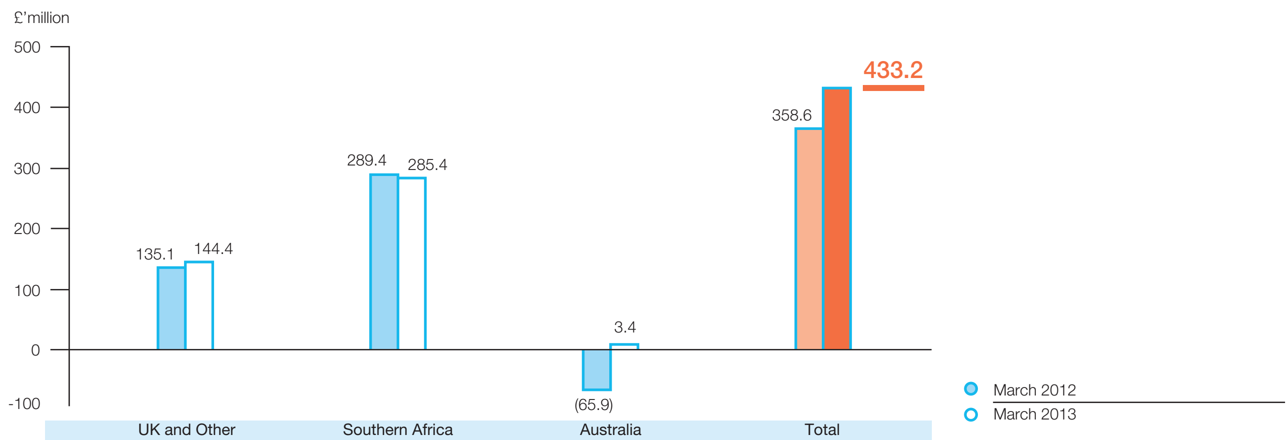
As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests increased by 20.8% from £358.6 million to £433.2 million.

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

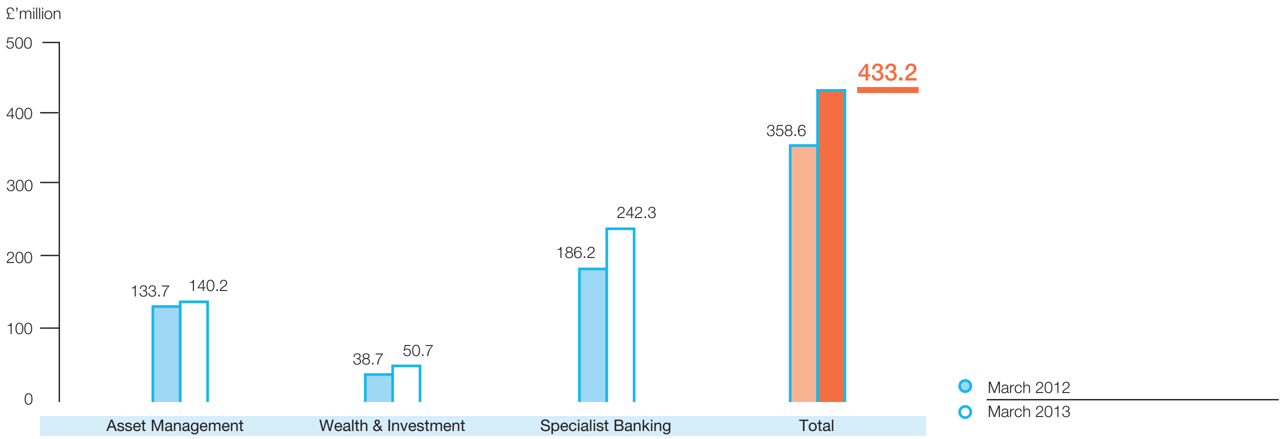
For the year ended 31 March 2013 £'000	UK and Other	Southern Africa	Australia	Total group	% change	% of total
Asset Management	59 341	80 823	–	140 164	4.8%	32.4%
Wealth & Investment	33 910	16 757	–	50 667	30.9%	11.7%
Specialist Banking	51 156	187 782	3 401	242 339	30.1%	55.9%
Total group	144 407	285 362	3 401	433 170	20.8%	100.0%
Non-controlling interest – equity				3 317		
Operating profit				436 487		
% change	6.9%	(1.4%)	>100.0%	20.8%		
% of total	33.3%	65.9%	0.8%	100.0%		

For the year ended 31 March 2012 £'000	UK and Other	Southern Africa	Australia	Total group	% of total
Asset Management	58 922	74 771	–	133 693	37.3%
Wealth & Investment	23 268	15 453	–	38 721	10.8%
Specialist Banking	52 880	199 212	(65 881)	186 211	51.9%
Total group	135 070	289 436	(65 881)	358 625	100.0%
Non-controlling interest – equity				(11 035)	
Operating profit				347 590	
% of total	37.7%	80.7%	(18.4%)	100.0%	

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



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



Impairment of goodwill

The current year's goodwill impairment relates to Asset Management businesses acquired in prior years and the group's Trust business.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2013	31 March 2012
UK and Other	406 389	409 837
Asset Management	88 045	88 045
Wealth & Investment	243 102	233 120
Specialist Banking	75 242	88 672
Southern Africa	10 260	13 696
Asset Management	7 450	10 487
Wealth & Investment	2 494	2 850
Specialist Banking	316	359
Australia	50 257	44 787
Specialist Banking	50 257	44 787
Total goodwill	466 906	468 320
Intangible assets	178 567	192 099
Total goodwill and intangible assets	645 473	660 419

Amortisation of acquired intangibles

Amortisation of acquired intangibles relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Costs arising from acquisitions

As anticipated for the 2012 financial year, a further cost of £12.3 million (before tax) arose on the integration of the Evolution Group plc, and £2.0 million arose on the acquisition and integration of the NCB Group.

Taxation

The effective tax rate amounts to 18.1% (2012: 18.1%).

	Effective tax rates		31 March 2013 £'000	31 March 2012 £'000	% change
	2013	2012			
UK and Other	21.8%	26.7%	(31 537)	(33 911)	(7.0%)
Southern Africa	16.9%	16.9%	(48 693)	(48 536)	0.3%
Australia	(42.0%)	(29.7%)*	1 430	19 540	92.7%
Tax	18.1%	18.1%	(78 800)	(62 907)	25.3%

* *The business was loss making.*

Profits attributable to non-controlling interests

Profits attributable to non-controlling interests mainly comprise £2.3 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of non-controlling interests. (The transaction is hedged and a forex transaction profit arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests).

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £247.5 million to £317.5 million.

Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on pages 5 and 6 in volume three and pages 49 to 51 in volume three.

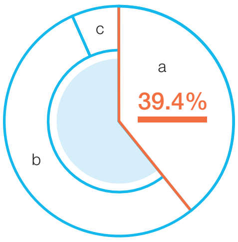
Balance sheet analysis

Since 31 March 2012:

- Total shareholders' equity (including non-controlling interests) decreased by 0.2% to £4.0 billion – an increase of 4.4% on a currency neutral basis. The weakening of the closing Rand exchange rate relative to Pounds Sterling has resulted in a reduction in total equity of £188 million
- Net asset value per share decreased 0.1% to 391.5 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased by 0.4% to 318.2 pence largely as a result of the depreciation of the Rand as described above
- The return on adjusted average shareholders' equity increased from 7.8% to 9.5%.

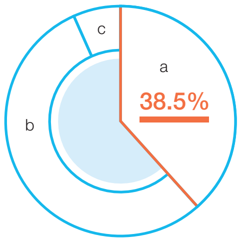
The group's gearing ratios remain low with core loans and advances to equity at 4.6 times (2012: 4.5 times) and total assets (excluding assurance assets) to equity at 11.2 times (2012: 11.3 times).

Assets by geography



31 March 2013
£51 000 million total assets

a	UK and Other	39.4%
b	Southern Africa	54.1%
c	Australia	6.5%



31 March 2012
£51 550 million total assets

a	UK and Other	38.5%
b	Southern Africa	54.9%
c	Australia	6.6%

Net tangible asset value per share

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

£'000	31 March 2013	31 March 2012
Shareholders' equity	3 724 606	3 716 415
Less: perpetual preference shares issued by holding companies	(377 659)	(384 229)
Less: goodwill and intangible assets (excluding software)	(626 870)	(637 773)
Net tangible asset value	2 720 077	2 694 413
Number of shares in issue (million)	884.8	874.0
Treasury shares (million)	(30.1)	(24.0)
Number of shares in issue in this calculation (million)	854.7	850.0
Net tangible asset value per share (pence)	318.2	317.0
NAV per share	391.5	392.0

Return on risk-weighted assets

The group's return on risk-weighted assets is reflected in the table below.

	31 March 2013	31 March 2012	Average	31 March 2011	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	316 709	257 579			
Investec plc risk-weighted assets (£'million)	13 755	12 827	13 291	12 292	12 560
Investec Limited risk-weighted assets* (£'million)	16 036	15 679	15 858	15 843	15 761
Total risk-weighted assets (£'million)	29 791	28 506	29 149	28 135	28 321
Return on average risk-weighted assets	1.09%	0.91%			
* Investec Limited risk-weighted assets (R'million)	223 863	192 376		172 370	

Capital adequacy

We hold capital in excess of regulatory requirements targeting a minimum tier 1 capital ratio of 10.5% 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.

Further information is provided on pages 89 to 94 in volume two.

ROE by country and business

Return on capital by segment

Methodology based on segmental information after reallocation of:

- a notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre from 'Other Activities in the Specialist Bank' to the business segments based on their total capital utilisation.

£'000	31 March 2013	31 March 2012	Average	31 March 2011	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 346 947	3 332 186	3 339 566	3 253 213	3 292 700
Goodwill and intangible assets (excluding software)	(626 870)	(637 773)	(632 322)	(564 726)	(601 250)
Adjusted tangible shareholders' equity	2 720 077	2 694 413	2 707 244	2 688 487	2 691 450

£'000	31 March 2013	31 March 2012
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	436 487	347 590
Non-controlling interests	(3 317)	11 035
Accrued preference dividends, adjusted for currency hedge	(37 661)	(38 139)
Operating profit	395 509	320 486
Tax on ordinary activities	(78 800)	(62 907)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	316 709	257 579
Pre-tax return on average ordinary shareholders' equity	11.8%	9.7%
Post-tax return on average ordinary shareholders' equity	9.5%	7.8%
Pre-tax return on average tangible ordinary shareholders' equity	14.6%	11.9%
Post-tax return on average tangible ordinary shareholders' equity	11.7%	9.6%

ROE by geography

£'000	UK and Other	Southern Africa	Australia	Total group
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	144 804	288 282	3 401	436 487
Tax on ordinary activities	(31 537)	(48 693)	1 430	(78 800)
Non-controlling interests	(397)	(2 920)	–	(3 317)
Accrued preference dividends, adjusted for currency hedge	(13 868)	(23 793)	–	(37 661)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items – 31 March 2013	**99 002**	**212 876**	**4 831**	**316 709**
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items – 31 March 2012	87 165	216 755	(46 341)	257 579
Ordinary shareholders' equity – 31 March 2013	**1 500 600**	**1 429 376**	**416 971**	**3 346 947**
Goodwill and intangible assets (excluding software)	(549 581)	(10 260)	(67 029)	(626 870)
Tangible ordinary shareholders' equity – 31 March 2013	**951 019**	**1 419 116**	**349 942**	**2 720 077**
Ordinary shareholders' equity – 31 March 2012	**1 515 289**	**1 429 170**	**387 727**	**3 332 186**
Goodwill and intangible assets (excluding software)	(562 675)	(13 697)	(61 401)	(637 773)
Tangible ordinary shareholders' equity – 31 March 2012	**952 614**	**1 415 473**	**326 326**	**2 694 413**
Average ordinary shareholders' equity – 31 March 2013	**1 507 945**	**1 429 272**	**402 349**	**3 339 566**
Average ordinary shareholders' equity – 31 March 2012	1 424 375	1 450 951	417 374	3 292 700
Average tangible shareholders' equity – 31 March 2013	**951 817**	**1 417 293**	**338 134**	**2 707 244**
Average tangible shareholders' equity– 31 March 2012	892 745	1 434 775	363 930	2 691 450
Post-tax return on average ordinary shareholders' equity – 31 March 2013	**6.6%**	**14.9%**	**1.2%**	**9.5%**
Post-tax return on average ordinary shareholders' equity – 31 March 2012	6.1%	14.9%	(11.1%)	7.8%
Post-tax return on average tangible shareholders' equity – 31 March 2013	**10.4%**	**15.0%**	**1.4%**	**11.7%**
Post-tax return on average tangible shareholders' equity – 31 March 2012	9.8%	15.1%	(12.7%)	9.6%
Pre-tax return on average ordinary shareholders' equity – 31 March 2013	**8.7%**	**18.3%**	**0.8%**	**11.8%**
Pre-tax return on average ordinary shareholders' equity – 31 March 2012	8.4%	18.3%	(15.8%)	9.7%
Pre-tax return on average tangible shareholders' equity – 31 March 2013	**13.7%**	**18.5%**	**1.0%**	**14.6%**
Pre-tax return on average tangible shareholders' equity – 31 March 2012	13.4%	18.5%	(18.1%)	11.9%

ROE by business

£'000	Asset Management	Wealth & Investment	Specialist Banking	Total group	Adjusted Wealth & Investment^
Total operating profit, after non-controlling interests	140 164	50 667	242 339	433 170	50 667
Notional return on regulatory capital	1 730	1 104	(2 834)	–	1 104
Notional cost of statutory capital	(2 447)	(1 605)	4 052	–	(1 605)
Cost of subordinated debt	(1 036)	(632)	1 668	–	(632)
Cost of preference shares	(433)	(307)	(36 921)	(37 661)	(307)
Absorption of additional residual costs**	(9 359)	(3 892)	13 251	–	(3 892)
Adjusted earnings – 31 March 2013	128 619	45 335	221 555	395 509	45 335
Adjusted earnings – 31 March 2012	119 340	32 518	168 628	320 486	32 518
Ordinary shareholders' equity – 31 March 2013	127 955	415 797	2 803 195	3 346 947	256 747
Goodwill and intangible assets (excluding software)	(95 495)	(402 363)	(129 012)	(626 870)	(243 313)
Tangible ordinary shareholders' equity – 31 March 2013	32 460	13 434	2 674 183	2 720 077	13 434
Ordinary shareholders' equity – 31 March 2012	142 602	475 325	2 714 259	3 332 186	316 275
Goodwill and intangible assets (excluding software)	(98 532)	(402 343)	(136 898)	(637 773)	(243 293)
Tangible ordinary shareholders' equity – 31 March 2012	44 070	72 982	2 577 361	2 694 413	72 982
Average ordinary shareholders' equity – 31 March 2013	135 279	445 561	2 758 726	3 339 566	286 511
Average ordinary shareholders' equity – 31 March 2012	142 105	424 246	2 726 349	3 292 700	247 863
Average tangible shareholders' equity – 31 March 2013	38 265	43 208	2 625 771	2 707 244	43 208
Average tangible shareholders' equity – 31 March 2012	41 352	69 271	2 580 827	2 691 450	69 271
Pre-tax return on average ordinary shareholders' equity – 31 March 2013	95.1%	10.2%	8.0%	11.8%	15.8%
Pre-tax return on average ordinary shareholders' equity – 31 March 2012	84.0%	7.7%	6.2%	9.7%	13.1%
Pre-tax return on average tangible shareholders' equity – 31 March 2013	336.1%	104.9%	8.4%	14.6%	104.9%
Pre-tax return on average tangible shareholders' equity – 31 March 2012	288.6%	46.9%	6.5%	11.9%	46.9%

** *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 management's estimates of relative benefit derived.*

^ *The adjusted Wealth & Investment is consistent with the group computation, except for:*

- *an adjustment of £159.1 million between ordinary shareholders' funds and goodwill which represents historical accounting gains, with a corresponding effective increase in goodwill. These gains were excluded from group adjusted earnings (2006 and 2011) and related to the sale of Carr Sheppards Crosthwaite Ltd (CSC) to Rensburg plc (subsequently renamed Rensburg Sheppards plc) on 6 May 2005 and the subsequent gain on the acquisition of the remaining share in Rensburg Sheppards plc on 25 June 2010*
- *the average equity calculations take into consideration the timing of the acquisition of the Evolution Group.*

Total third party assets under management

£'million	31 March 2013	31 March 2012
Investec Asset Management	69 822	61 555
UK and Other	41 569	36 154
Southern Africa	28 253	25 401
Wealth & Investment	40 350	34 771
UK and Other	24 733	20 969
Southern Africa	15 617	13 802
Property Activities	320	230
Southern Africa	185	81
Australia	135	149
Australia other funds	186	220
Total	110 678	96 776

A further analysis of third party assets under management

At 31 March 2013 £'million	UK and Other	Southern Africa	Australia	Total
Investec Asset Management	41 569	28 253	–	69 822
Mutual Funds	17 004	11 847	–	28 851
Segregated Mandates	24 565	16 406	–	40 971
Wealth & Investment	24 733	15 617	–	40 350
Discretionary	16 381	2 604	–	18 985
Non-discretionary	7 079	13 013	–	20 092
Other	1 273	–	–	1 273
Property Activities	–	185	135	320
Australia other funds	–	–	186	186
Total third party assets under management	66 302	44 055	321	110 678

At 31 March 2012 £'million	UK and Other	Southern Africa	Australia	Total
Investec Asset Management	36 154	25 401	–	61 555
Mutual Funds	17 490	9 683	–	27 173
Segregated Mandates	18 664	15 718	–	34 382
Wealth & Investment	20 969	13 802	–	34 771
Discretionary	14 187	2 185	–	16 372
Non-discretionary	5 316	11 617	–	16 933
Other	1 466	–	–	1 466
Property Activities	–	81	149	230
Australia other funds	–	–	220	220
Total third party assets under management	57 123	39 284	369	96 776

Operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests) per employee

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 31 March 2013	1 268	1 332	5 551	8 151
Number of employees – 31 March 2012	1 173	1 319	5 289	7 781
Number of employees – 31 March 2011	1 071	976	5 190	7 237
Average employees – year to 31 March 2013	1 220	1 326	5 420	7 966
Average employees – year to 31 March 2012	1 122	1 148	5 240	7 510
Operating profit – year to 31 March 2013 (£'000)	140 164	50 667	242 339	433 170
Operating profit – year to 31 March 2012 (£'000)	133 693	38 721	186 211	358 625
Operating profit per employee^ – 31 March 2013 (£'000)	114.9	38.2	44.7	54.4
Operating profit per employee^ – 31 March 2012 (£'000)	119.2	33.7	35.5	47.8

By geography	UK and Other	Southern Africa	Australia	Total group
Number of employees – 31 March 2013	3 495	4 168	488	8 151
Number of employees – 31 March 2012	3 289	4 068	424	7 781
Number of employees – 31 March 2011	2 709	4 101	427	7 237
Average employees – year to 31 March 2013	3 392	4 118	456	7 966
Average employees – year to 31 March 2012	2 999	4 085	426	7 510
Operating profit – year to 31 March 2013 (£'000)	144 407	285 362	3 401	433 170
Operating profit/(loss) – year to 31 March 2012 (£'000)	135 070	289 436	(65 881)	358 625
Operating profit per employee^ – 31 March 2013 (£'000)	42.6	69.3	7.5	54.4
Operating profit/(loss) per employee^ – 31 March 2012 (£'000)	45.0	70.9	(154.7)	47.8

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

Number of employees

By division – permanent employees	31 March 2013	31 March 2012
Asset Management		
UK and Other	383	359
Southern Africa	778	728
Total	1 161	1 087
Wealth & Investment		
UK and Other	973	1021
Southern Africa	272	239
Total	1 245	1 260
Specialist Banking		
UK and Other	1 982	1 821
Southern Africa	2 698	2 694
Australia	470	407
USA	19	17
Total	5 169	4 939
Total number of permanent employees	7 575	7 286

By geography	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
UK and Other	3 338	3 181	2 606	1 763	1 706	1 812	1 294
Southern Africa	3 748	3 661	3 680	3 542	3 541	3 666	3 476
Australia	470	411	401	356	354	424	235
USA	19	33	29	23	22	12	5
Temporary employees and contractors	576	495	521	439	328	419	420
Total number of employees	8 151	7 781	7 237	6 123	5 951	6 333	5 430

Divisional
review

Group divisional structure

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.

Investec is a focused specialist bank and asset manager striving to be distinctive in all that it does.

Asset Management

What we do

4Factor™ equities
Quality
Frontier and emerging market equities
Value
Commodities and resources
Emerging market fixed income
Multi-asset

Where we operate

Africa
Americas and Japan
Asia
Australia
Europe
Middle East
UK

Wealth & Investment

What we do

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

Where we operate

Southern Africa
UK and Europe

Specialist Banking

What we do

Property Activities
Private Banking Activities
Corporate Advisory and Investment Activities
Corporate and Institutional Banking Activities
Group Services and Other activities

Where we operate

Australia
Canada
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated global management structure

Global roles

Chief executive officer	Stephen Koseff	Executive director	Hendrik du Toit
Managing director	Bernard Kantor	Group risk and finance director	Glynn Burger

Geographical business leaders

South Africa
Andy Leith
Glynn Burger
David Lawrence

United Kingdom
David van der Walt

Australia
David Clarke (outgoing)
Ciaran Whelan (acting)

Specialist Banking

Property Activities
Sam Hackner

Private Banking Activities
Ciaran Whelan

Corporate Advisory and Investment Activities
Andy Leith

Corporate and Institutional Banking Activities
David van der Walt

Asset Management

Hendrik du Toit

Wealth & Investment

Steve Elliott

Support structures

Banking and institutions
David Lawrence

Chief integrating officer
Allen Zimbler

Corporate governance and compliance
Bradley Tapnack

Marketing
Raymond van Niekerk

Finance and risk management
Glynn Burger

Share schemes and secretarial
Les Penfold

Asset Management

At Investec Asset Management, our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations

Global head: Hendrik du Toit

We manage £69.8 billion of assets on behalf of our clients from around the world who are invested in our seven core investment capabilities.

Our clients include some of the world's largest private and public sector pension funds, insurers and corporates, and range from foundations and central banks to intermediated and direct investors.

Employing over 145 investment professionals, we manage our investments from two investment centres (London and Cape Town) serving our client base from seven geographically defined client groups.

Established in 1991, we have grown largely organically from domestic roots in Southern Africa and are still managed by our founding members, representing continuity and stability throughout our growth.

Our value proposition

- Organically built an independent global platform with roots in an emerging market
- Independently managed unit within the Investec group
- Competitive investment performance in chosen specialities
- Truly global approach:
  - global investing
  - global client base
  - global operations platform
- Institutional and adviser focus
- Unique and clearly understood culture
- Stable and experienced leadership
  - executive committee: average tenure of 19 years
  - top 30 leaders: average tenure of 14 years.

Annual highlights

Operating profit increased by 4.8% to £140.2 million, contributing 32.4% to group profit

Assets under management
up 13.4% to
£69.8 billion

Net new flows of £4.1 billion (2012: £5.2 billion)

Operating margin
34.5%
(2012: 35.7%)

Management structure

Chief executive officer
Hendrik du Toit

Chief operating and financial officer
Kim McFarland

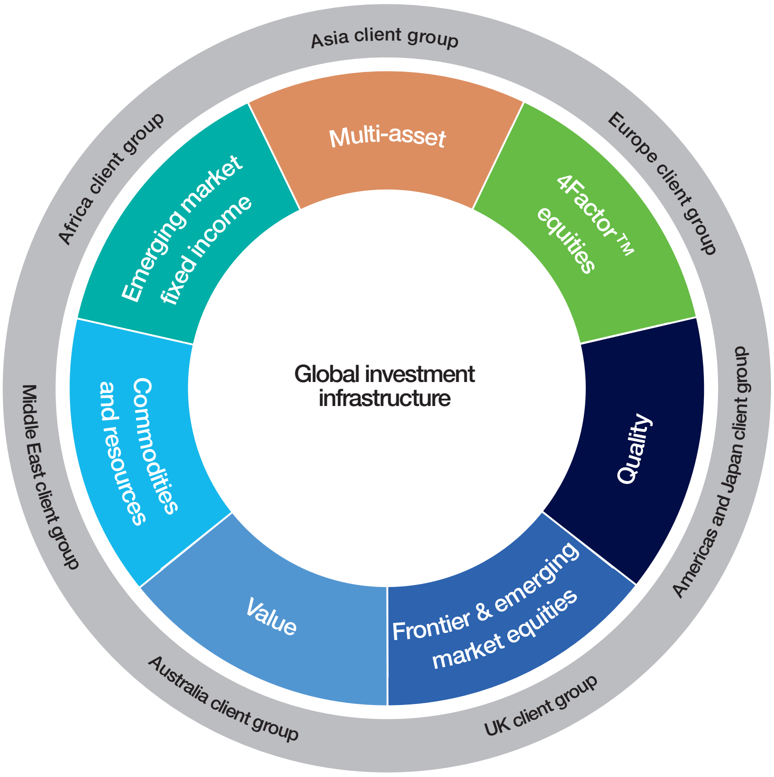
Global head of client group
John Green

Co-chief investment officer
Domenico (Mimi) Ferrini

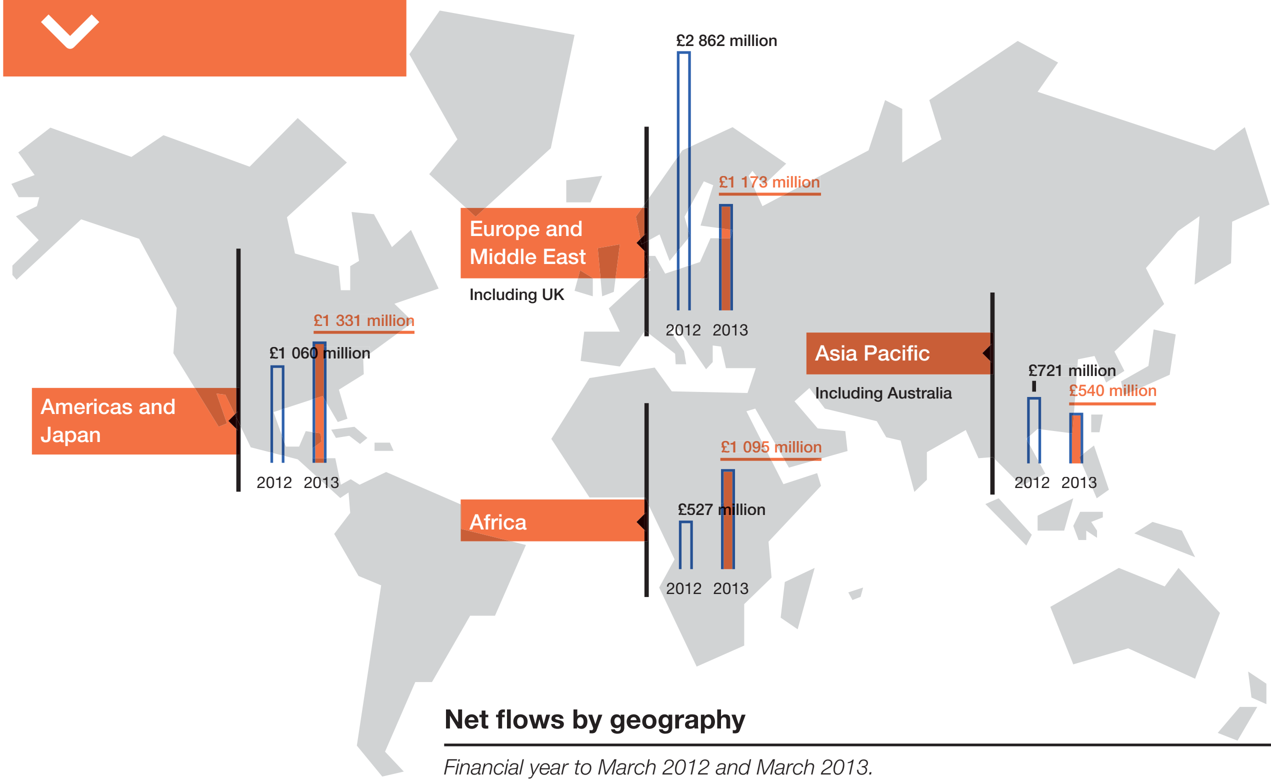
Co-chief investment officer
John McNab

What we do

Capabilities and organisational structure



Where we operate

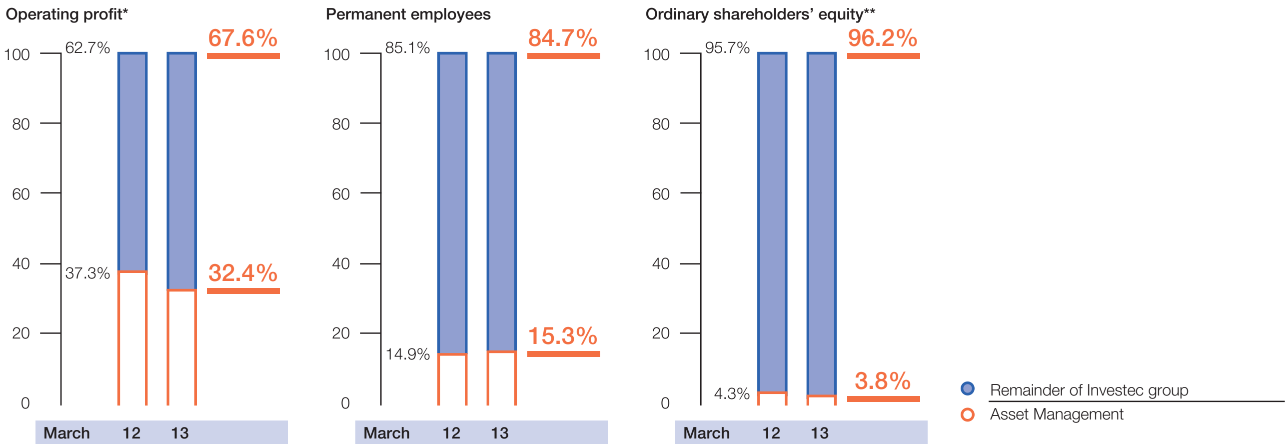


Net flows by geography

Financial year to March 2012 and March 2013.

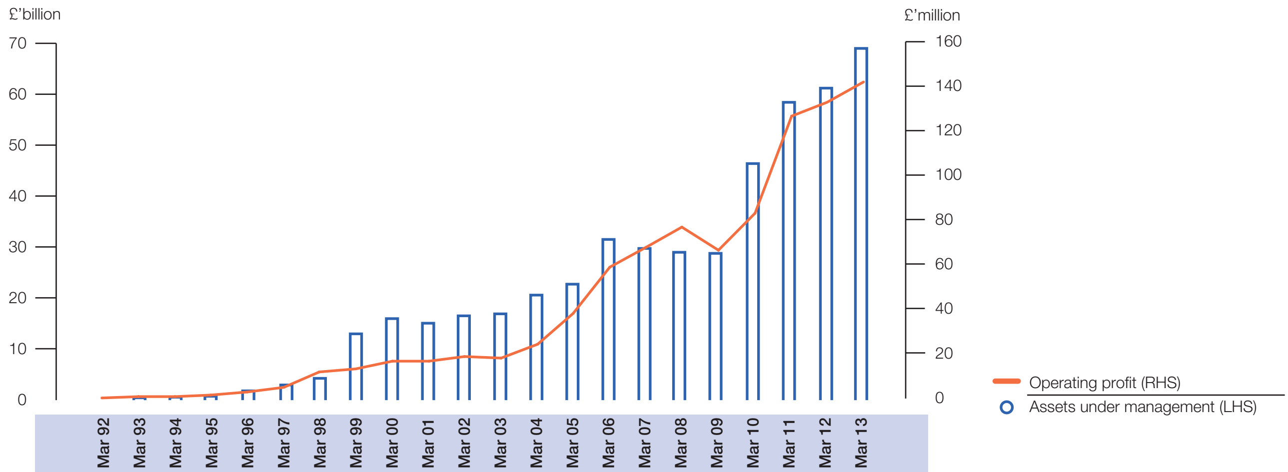
Asset Management (continued)

Financial analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*
** *As calculated on page 50, based on regulatory capital requirements.*

Historical financial performance



Income statement analysis

£'000	31 March 2013	31 March 2012	Variance	% change
Net interest income	4 501	5 163	(662)	(12.8%)
Net fee and commission income	393 116	367 856	25 260	6.9%
Investment income	36	25	11	44.0%
Trading income arising from balance sheet management and other trading activities	(45)	380	(425)	(>100.0%)
Other operating income	9 583	2 178	7 405	>100.0%
Total operating income	407 191	375 602	31 589	8.4%
Operating costs	(266 784)	(241 529)	(25 255)	10.5%
Operating profit before goodwill, acquired intangibles and non-operating items	140 407	134 073	6 334	4.7%
Operating income attributable to non-controlling interests	(243)	(380)	137	(36.1%)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	140 164	133 693	6 471	4.8%
UK and Other	59 341	58 922	419	0.7%
Southern Africa	80 823	74 771	6 052	8.1%
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	140 164	133 693	6 471	4.8%
Selected returns and key statistics				
Ordinary shareholders' equity*	127 955	142 602	(14 647)	(10.3%)
ROE (pre-tax)*	95.1%	84.0%		
Return on tangible equity (pre-tax)*	336.1%	288.6%		
Operating margin	34.5%	35.7%		
Operating profit per employee (£'000)*	114.9	119.2	(4.3)	(3.6%)

* *As calculated on page 50 and 52, based on regulatory capital requirements.*

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

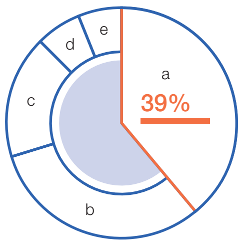
Equity market conditions continued to be volatile over the financial year, only picking up in the final quarter of the year. Volatile markets will continue to affect our revenues but our broad range of investment capabilities is well positioned to serve current and future investor demand. Performance fees increased over the period (£41.4 million) as compared to the prior year (£30.0 million).

Asset Management (continued)

Assets under management and flows

£'million	31 March 2013	Net flows	31 March 2012
Equities	27 313	1 038	23 636
Fixed income	21 946	3 077	18 087
Multi-asset	11 909	462	10 935
Alternatives	4 420	(698)	5 191
Third party funds on advisory platform	4 234	260	3 706
Total	69 822	4 139	61 555

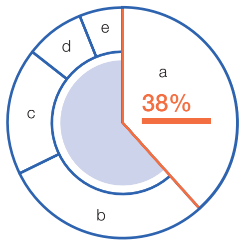
Assets under management by asset class



31 March 2013

£69.8 billion total assets under management

a	Equities	39%
b	Fixed income	32%
c	Multi-asset	17%
d	Alternatives	6%
e	Third party funds on advisory platform	6%

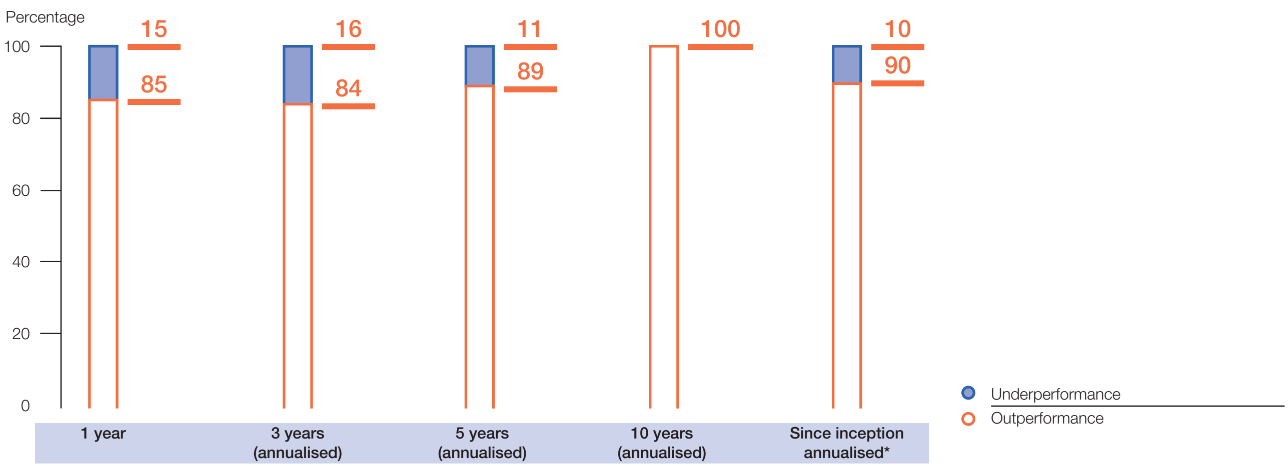


31 March 2012

£61.6 billion total assets under management

a	Equities	38%
b	Fixed income	30%
c	Multi-asset	18%
d	Alternatives	8%
e	Third party funds on advisory platform	6%

Segregated mandates performance



Source: Calculated by Investec Asset Management from StatPro, Capability weighted. Performance to 31 March 2013.

* *Since the inception date of each portfolio, only annualised if inception date is older than 12 months.*

Note: Outperformance (underperformance) is calculated as the sum of the total market values for those portfolios that have positive active returns (negative active returns) by Capability expressed as a percentage of total assets under management. Market values for the indicated date are used for all periods shown.

Independent recognition

Calendar year 2012

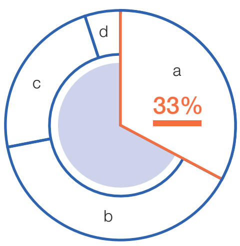
- Winner of *Financial News* Award for Excellence in European Institutional Asset Management, CEO of the Year (Hendrik du Toit)
- Winner of *aiCIO* Award for Emerging Markets Manager of the Year
- Winner of *European Pension* Award for Emerging Markets Manager of the Year
- Winner of South Africa’s Raging Bull Award for Offshore Management Company of the Year (second year running)
- Winner of Imbasa Yegolide Award for Global Manager of the Year (third year running) and for Balanced Fund Manager of the Year
- Winner of *EMEA Finance’s* Best Asset Manager in Africa award (second year running)
- Winner of Lipper Fund Award for Best Mixed Asset Group (Large) over three years
- Highly commended for *Global Investor’s* Asset Manager of the Year award
- Shortlisted for *Funds Europe’s* European Asset Management Company of the Year award (AUM > €20 billion)

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients’ expectations around specific strict risk parameters.

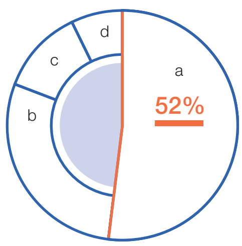
We measure our investment performance relative to peer group and against benchmark over one, three, five and 10 year periods and since inception. Our long-term track record remains competitive.

Mutual funds investment performance



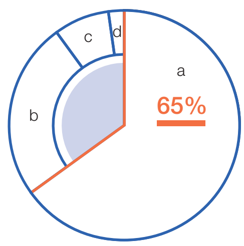
One year

a	First quartile	33%
b	Second quartile	39%
c	Third quartile	23%
d	Fourth quartile	5%



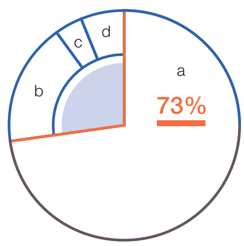
Three years

a	First quartile	52%
b	Second quartile	29%
c	Third quartile	12%
d	Fourth quartile	7%



Five years

a	First quartile	65%
b	Second quartile	25%
c	Third quartile	8%
d	Fourth quartile	2%



Ten years

a	First quartile	73%
b	Second quartile	17%
c	Third quartile	4%
d	Fourth quartile	6%

Source: Calculated from Lipper and Morningstar data by value; excludes cash and cash plus funds. Performance to 31 March 2013.

Questions and answers

Hendrik du Toit

Chief executive officer

Q Please give us an overview of the environment in which you operate

A At Investec Asset Management, our focus is on the institutional and adviser segments of the market. We build long-term relationships with the 300 largest asset owners and asset platforms in the world as well as the top end advisers in select markets. Over the last decade, we have consciously developed a presence in most of the major markets around the world. Today, we offer the strategies supported by our seven core investment capabilities through seven clearly identified, geographically defined client teams. We operate as a global investment firm both in terms of our client type and in terms of our investment capabilities.

Although financial markets have been volatile over the past year, the strong upward surge in equities towards the end of the period has brightened the prospects for most asset management firms. At Investec Asset Management we are committed to building a well-balanced, robust firm, with a variable cost base, which should be able to look after its clients in benign as well as challenging market conditions.

Against this backdrop and measured against the universe of peers, we had a solid year for net flows, bringing in £4.1 billion. The majority of these flows came from the Americas, Africa and Europe. This number could have been significantly higher had we not closed some of our most popular strategies due to capacity concerns. At Investec Asset Management existing clients always come first, and therefore this was a natural strategic decision.

The avalanche of regulatory initiatives, some well thought through and some simply counterproductive, have consumed more resources and management than ever.

Q What have been the key developments in the business over the last financial year?

A Over the year, the significant development was the announcement of the intention of senior management to acquire a 15% shareholding in the business with an option to purchase a further 5% over the next seven years. We believe that this transaction enables us to be viewed more favourably by clients and allows us to compete more effectively with other independent, pure-play global asset managers. The transaction also allows senior employees to participate more directly in the success of the company and strengthens the alignment between shareholders and employees. This will support the sustainability of the 22 year old success story of Investec Asset Management.

We saw continued strong performance in our range of investment strategies and our long-term investment performance remains solid with 100% of our investment Capabilities outperforming their benchmark on a ten-year annualised basis. As always, there are a few strategies facing short-term performance pressure or market headwinds, but it is important to confirm that we have very competitive investment offerings across the board with excellent track records, which allow us to compete effectively in the market place.

In addition to the client endorsement through the sixth consecutive year of positive net inflows, we have also continued to achieve independent and international recognition during the past year. Among these, awards have included two Imbasa Yegolide Awards for Professional Excellence, and, for the second consecutive year, the *EMEA Finance* Best Asset Manager in Africa Award. Our specific emerging markets expertise has also been recognised, with Emerging Markets Manager of the Year Awards from both *European Pensions* and US title *aiCIO*.

I was humbled and honoured to be presented with the Chief Executive of the Year award by *Financial News*, a Dow Jones publication. This award was a significant endorsement of the achievements of all of our people over many years and I am very grateful to them for their continued hard work.

Q What are your strategic objectives for the coming year?

A Our long-term objective remains unchanged. We continue to be totally focused on managing our clients' money to the highest standard possible. To do this we continue to invest in the development of our investment capabilities and our service proposition to our chosen client base around the world. At Investec Asset Management we focus on investment performance, the needs of our clients, innovation and investment insight. In order to do this effectively, we need to invest in our people and continue to nurture the culture that binds us together.

Q What is your outlook for the coming year?

A In spite of ongoing uncertainty about the prospects of the world economy and nervousness in financial markets, our business momentum is positive and we believe that we are well positioned to face the future.

Q How do you incorporate environmental and sustainability considerations into your business?

A In our role as a global asset manager, we recognise the responsibility that comes with being long-term stewards of our clients' assets. Key to this responsibility is continually ensuring that corporate governance and business integrity are a fundamental part of how we operate.

Our primary goal in doing this is both to benefit our clients and also to improve the broader environmental and social realms in which we invest and operate. Alongside the financial objectives that we set for ourselves as business, we also categorise our environmental, social and governance activity into three areas, being commitment to stewardship and our investment approach, people and planet.

For further information refer to the sustainability report available on our website.

Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the UK's leading private client investment managers and the largest in South Africa

Global head: Steve Elliott
UK head: Jonathan Wragg
South Africa head: Henry Blumenthal
Switzerland head: Peter Gyger
NCB Wealth Management head: Greg Dilger

Today the business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities. Formed through the alliance of Investec Private Client Securities, Investec Private Bank's Wealth Management division and the acquisition of Rensburg Sheppards and Williams de Broë in the UK, we are one of the UK's leading private client investment managers and the largest in South Africa.

Further detail on the Wealth & Investment management structure is available on our website.

Our value proposition

- Investec Wealth & Investment has been built via acquisition of businesses and organic growth over a long period of time
- Well established platforms in the UK, South Africa and Switzerland. The new Guernsey business is expected to be fully operational during the second half of 2013
- Focus is on internationalising the business, development of online capabilities and organic growth in our key markets
- c.100 000 clients.

Annual highlights

Operating profit up 30.9% to £50.7 million, contributing 11.7% to group profit

Assets under management up 16.0% to £40.4 billion

Operating margin 20.3% (2012: 19.7%)

15.8% ROE (pre-tax) (2012: 13.1%)

Net new flows of £0.8 billion

104.9% tangible ROE (pre-tax) (2012: 46.9%)

What we do and where we operate

United Kingdom

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients and businesses
- Specialist portfolio management services for international clients, including resident and non-domiciled clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pension (SIPP) schemes
- Advice and guidance on pension schemes, life assurance and income protection schemes.

Tax planning and mitigation

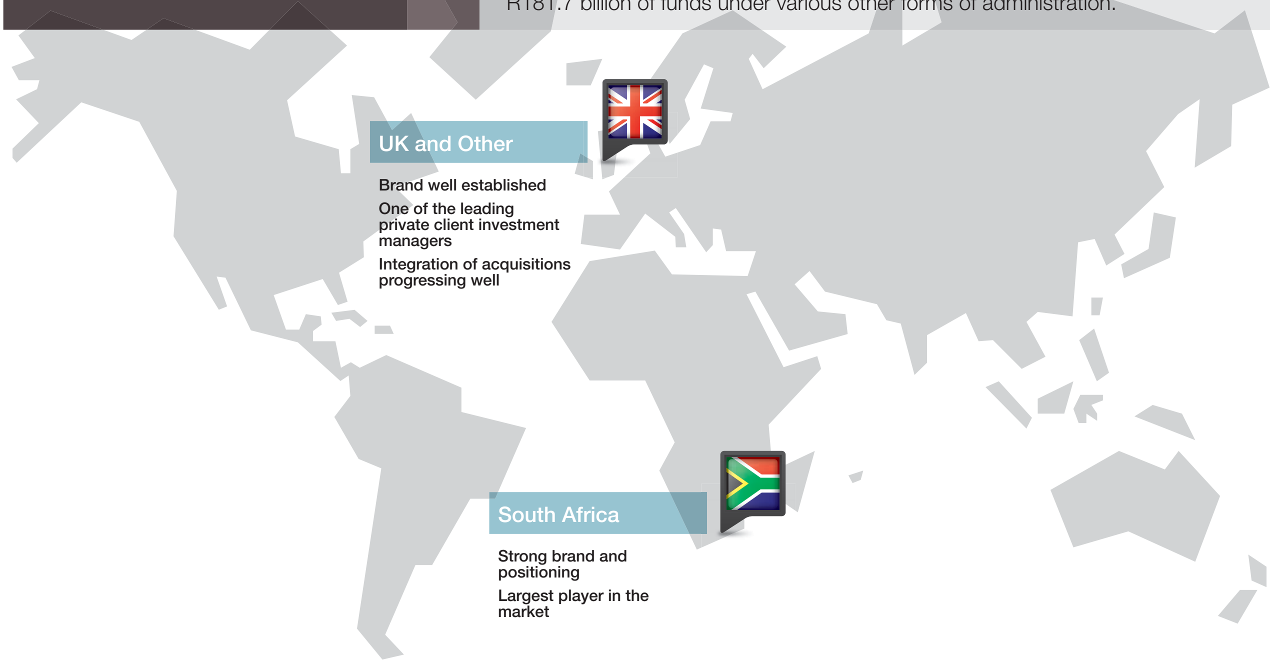
- Individual and corporate tax planning services, including ISAs and Venture Capital Trusts
- Inheritance tax planning.

The European operations are conducted through NCB, which operates from Ireland, and European Wealth Management, which operates predominantly from Switzerland but also has a presence in Guernsey.

Over 1 000 staff operate from offices located throughout the UK and Europe, with combined funds under management of £24.7 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

South Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R36.4 billion of funds under full discretionary management and a further R181.7 billion of funds under various other forms of administration.



Divisional review

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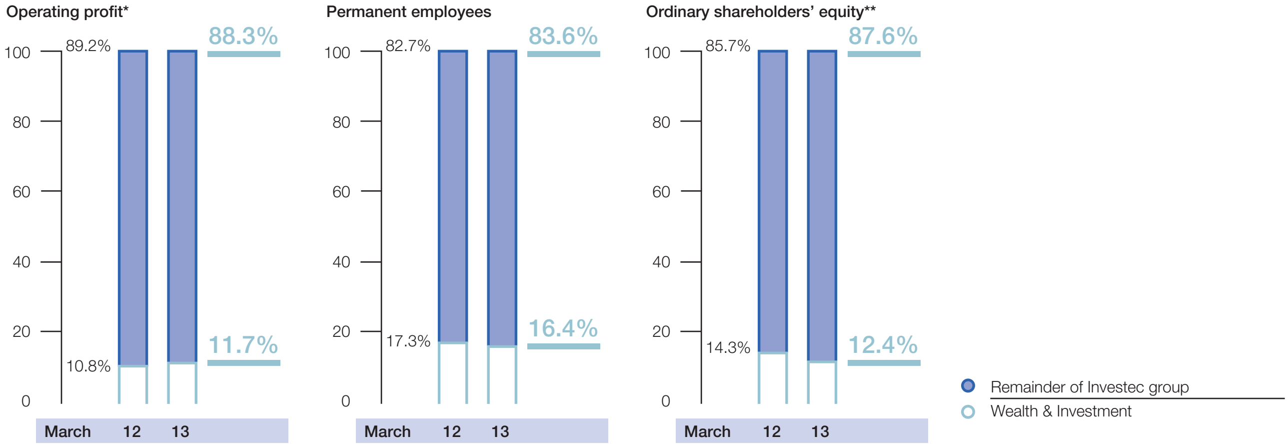
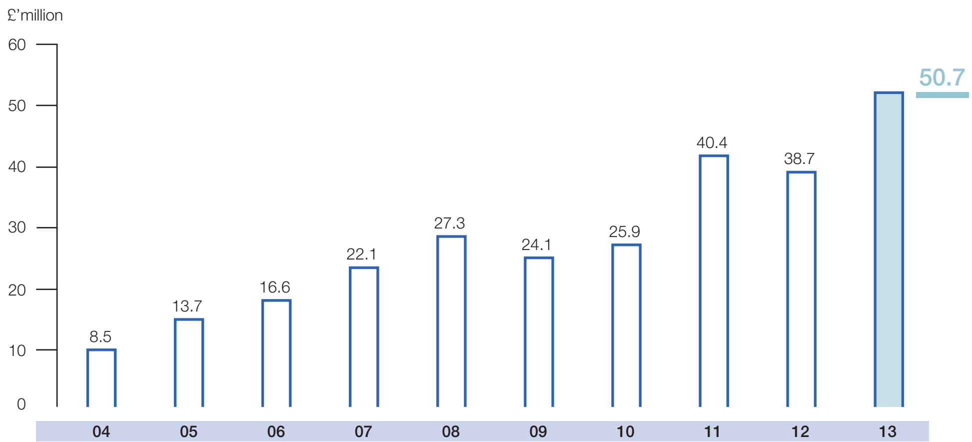
Financial analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.

** As calculated on page 50, based on regulatory capital requirements.

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 non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

Income statement analysis

£'000	31 March 2013	31 March 2012	Variance	% change
Net interest income	9 049	10 083	(1 034)	(10.3%)
Net fee and commission income	237 560	186 181	51 379	27.6%
Investment income	555	(392)	947	>100.0%
Trading income arising from				
– customer flow	687	108	579	>100.0%
– balance sheet management and other trading activities	360	97	263	>100.0%
Other operating income	777	396	381	96.2%
Total operating income	248 988	196 473	52 515	26.7%
Operating costs	(198 321)	(157 799)	(40 522)	25.7%
Operating profit before goodwill, acquired intangibles and non-operating items	50 667	38 674	11 993	31.0%
Operating losses attributable to non-controlling interests	–	47	(47)	(100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	50 667	38 721	11 946	30.9%
UK and Other**	33 910	23 268	10 642	45.7%
South Africa	16 757	15 453	1 304	8.4%
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	50 667	38 721	11 946	30.9%
Selected returns and key statistics				
Ordinary shareholders' equity*	256 747	316 275	(59 528)	(18.8%)
ROE (pre-tax)*	15.8%	13.1%		
Return on tangible equity (pre-tax)*	104.9%	46.9%		
Operating margin	20.3%	19.7%		
Operating profit per employee (£'000)*	38.2	33.7	4.5	13.4%

* *As calculated on page 50 and 52, based on regulatory capital requirements.*

** *Other comprises European Wealth Management and NCB.*

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

- In the UK and Europe the division has benefited from higher average funds under management and net inflows, with relevant market indices closing the year 9.9% ahead of the prior year. The group has also benefited from the full year inclusion of the Williams de Broë business, which was acquired on 22 December 2011. Whilst not shown in the adjusted operating profit stated above, non-operating costs relating to the integration of Williams de Broë are reflected in the group's 2013 financial results.
- The South African business posted an operating profit of R225 million, an increase of 23.6% over the prior period. Whilst client execution activity levels have remained subdued, the business has benefited from higher average funds under management and solid discretionary net inflows.

Analysis of key earnings drivers (funds under management)

£'million	31 March 2013	31 March 2012	% change
UK and Other	24 733	20 969	18.0%
Discretionary	16 381	14 187	15.5%
Non-discretionary and other	8 352	6 782	23.1%
South Africa	15 617	13 802	13.2%
Discretionary	2 604	2 185	19.2%
Non-discretionary and other	13 013	11 617	12.0%
Total	40 350	34 771	16.0%

UK and Other: analysis of key drivers (funds under management and flows)

Funds under management

£'million	31 March 2013	31 March 2012	% change
Investec Wealth & Investment Limited	22 271	19 956	11.6%
Discretionary	16 177	14 187	14.0%
Non-discretionary	5 747	5 316	8.1%
Other	347	453	(23.4%)
NCB	1 536	–	n/a
Discretionary	204	–	n/a
Non-discretionary	1 332	–	n/a
European Wealth Management	926	1 013	(8.6%)
Total	24 733	20 969	18.0%

Further analysis of the Investec Wealth & Investment Limited business

£'billion	31 March 2013	31 March 2012*	% change
At the beginning of the period	19.96	12.74	56.7%
Inflows	1.87	0.96	94.8%
Outflows	(1.50)	(0.76)	97.4%
Market adjustment^	1.94	(0.10)	>100.0%
Acquisition	–	7.12	n/a
At the end of the period	22.27	19.96	11.6%
FTSE/APCIMS Private Investors Balanced Index (at period end)	3 300	3 002	9.9%
Annualised underlying rate of net organic growth in total funds under management**	1.9%	1.6%	n/a
% of total funds managed on a discretionary basis	74.2%	72.7%	n/a

^ *Impact of market movement and relative performance.*

* *Restated to include Williams de Broë in funds under management and percentage discretionary.*

** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management. Prior year excludes Williams de Broë.*

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

Funds under management

R'million	31 March 2013	31 March 2012	% change
Discretionary	36 352	26 809	35.6%
Non-discretionary	181 668	142 546	27.4%
Total	218 020	169 355	28.7%

Net inflows/(outflows) at cost over the period

R'million	31 March 2013	31 March 2012
Discretionary	3 714	1 956
Non-discretionary	2 148	(7 348)^^
Total	5 862	(5 392)

^^ *Largely related to one client who moved their portfolio to another institution to serve as collateral in a transaction they were concluding.*

Questions and answers

Steve Elliott

Global head

Q Please give us an overview of the environment in which you operate

A Within the UK, the first three quarters of the financial year saw a continuation of challenging market conditions, driven by euro zone and other global economic concerns, which had affected a significant part of the previous financial year. A lack of investor confidence and a challenging backdrop against which to implement investment strategies led to a period of depressed transaction volumes which had an adverse impact on income. Investor optimism gradually returned during the latter part of the 2012 calendar year and a consensus grew that key economic risks had abated. This led to a significant rise in European indices in early 2013 and a significant improvement in transaction volumes for the final quarter of the financial year.

The volatility indicator, the VIX, that has declined to almost normal levels in recent months, indicates an improved investor state of mind. Cyclical rather than systemic risks are likely to dominate market movements. The global cyclical recovery may remain subdued depending as it does on further support from China. Yet coming to terms with a more or less familiar business cycle is much less inhibiting for investors than the danger of system failure of the kind that has infected financial markets since 2008.

Increasing regulatory obligations, and the related cost of compliance, continue to affect the UK investment management industry. The Retail Distribution Review (RDR), which seeks to improve pricing transparency, changes professional qualification requirements and tightens rules governing firms' abilities to promote themselves as independent advisers, became effective in

Wealth & Investment (continued)

the UK on 31 December 2012. While an immediate consequence of the RDR is to place downward pressure on some revenue streams of UK investment management firms, we believe that the RDR will bring a net benefit to the Investec Wealth & Investment business over the longer term; the full impact of the RDR on the UK industry will take some years to emerge. There is evidence of further consolidation in the UK sector which is, in part, driven by increasing regulatory pressures and we expect this to continue.

The South African economy and its financial markets, including the currency market, face their own challenges. Hopefully progress will be made on the interwoven issues of troubled labour relations and the disruption of the mining sector and its exports upon which the Rand depends. The risk of the disruption of power supplied by Eskom to the industrial and mining sectors is also a negative influence on the outlook for the South African economy and the firms dependent on it. Improved labour relations would also contribute to the roll-out of additional generating capacity and so improve the prospects for the broader economy. The JSE All Share Index has, however, returned over 18.8% for the year ended March 2013.

Q What have been the key developments in the business over the last financial year?

A A key focus for the UK business during the year has been to secure the successful integration of Williams de Broë. A key milestone in the integration process was achieved in August 2012. The client base of the Williams de Broë business was migrated onto the Wealth & Investment settlement platform and investment management systems and processes were unified. From that point on, the enlarged business has traded under the Investec brand. Those offices which shared common geographical locations have now been brought together within a unified office in each location.

From a financial perspective, the principal cost synergies which we expected to gain from the integration of the businesses have now been achieved. As these have arisen during the course of the 2012/13 financial year, the positive impact on profitability will not be fully reflected until the 2013/14 financial year. The costs of integrating the businesses are within the range originally anticipated. As a unified business, the stronger foundation and wider geographical base from which we now operate stands the business in good stead to meet the challenges and opportunities of the future.

Switzerland will form part of the international platform consisting of Guernsey (integration not yet complete) and the UK. Costs have been contained and resources restructured. We also have stand-alone platforms in South Africa and Ireland to service the domestic base.

We are commencing the process of integrating key business areas of NCB into Investec Wealth & Investment. By the end of May 2013, NCB Stockbrokers Limited will change its name to Investec Capital & Investments (Ireland) Limited with the Wealth & Investment business trading as Investec Wealth & Investment.

The South African business has seen a significant increase (36% in Rand terms) in discretionary funds under management. There has been a thrust during the past couple of years to cross refer clients between us and the Private Bank and this has contributed to net inflows.

The launch of the Investec app in South Africa for private clients has been well received and is a hugely positive development.

The South African business has leveraged its platforms well by eliminating duplication of systems and as such has managed to contain costs.

Q What are your strategic objectives for the coming year?

A With well established investment management businesses in the UK and South Africa, along with an offshore platform in Switzerland, all operating under a single Investec brand, we are well placed to enhance and expand our offering to international and higher net worth clients. We see the international and higher net worth arenas as markets which provide the opportunity for new asset and revenue streams utilising our international custody capabilities and our investment management expertise which has been built in our existing businesses.

Q What is your outlook for the coming year?

A The 2013 calendar year began with a significant improvement in market conditions. As we began the new financial year, equity markets remained buoyant and there are sound reasons to be cautiously optimistic that market conditions will remain favourable throughout the 2013/14 financial year. However, recent developments in Cyprus and other parts of the world act as a reminder that the risks which affected market conditions in 2012 may yet re-emerge.

Q How do you incorporate environmental and sustainability considerations into your business?

A The services provided by Investec Wealth & Investment assist clients to preserve and grow their wealth and to build and plan for their future financial security. As experienced, unbiased, professional advisers, we are well equipped to give clients the advice they need on all aspects of investment management as well as financial planning services. At Investec Wealth & Investment we understand that wealth is not just about money. We work in partnership with out of the ordinary organisations that share our core values. Through these partnerships our clients gain access to a range of interesting and diverse opportunities to appreciate, learn and enjoy.

For example, we have been sponsoring the National Garden Scheme's Yellow Book for 19 years, helping garden owners to raise close to £30 million for nursing and garden charities. In 2013 there will be nearly 4 000 gardens across England and Wales opening on behalf of The National Gardens Scheme.

For further information download our sustainability report available on our website.

Specialist expertise delivered with dedication and energy

Global heads

Andy Leith	Corporate Advisory and Investment Activities
Sam Hackner	Property Activities
David van der Walt	Corporate and Institutional Banking Activities
Ciaran Whelan	Private Banking Activities

Further information on the Specialist Banking management structure is available on our website.

The specialist teams are well positioned to provide services for both personal and business needs right across Private Banking, Property Investments, Corporate and Institutional Banking and Corporate Advisory and Investment.

Our value proposition

- High quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas
- Provide high touch personalised service
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Balanced business model with good business depth and breadth
- Total corporate and other clients: c.335 000
- Total high income and high net worth clients: c.167 000

Annual highlights

62.8%
cost to income
(2012: 62.4%)

Operating profit
up 30.1% to
£242.3 million
contributing 55.9% to group profit

8.0%
ROE (pre-tax)
(2012: 6.2%)

Loans and advances
£18.4 billion
2012: £18.2 billion)

8.4%
Tangible ROE
(pre-tax)
(2012: 6.5%)

Customer deposits
£24.5 billion
2012: £25.3 billion)

Specialist Banking (continued)

What we do

Corporates/government/institutional clients

Corporate Advisory and Investment Activities

Advisory
Institutional, research, sales and trading
Principal investments
Property activities

Australia
Hong Kong
India
Southern Africa
UK and Europe
USA

Corporate and Institutional Banking Activities

Treasury and trading services
Specialised finance
Debt Capital Markets

Australia
Canada
India
Southern Africa
UK and Europe

High income and high net worth private clients

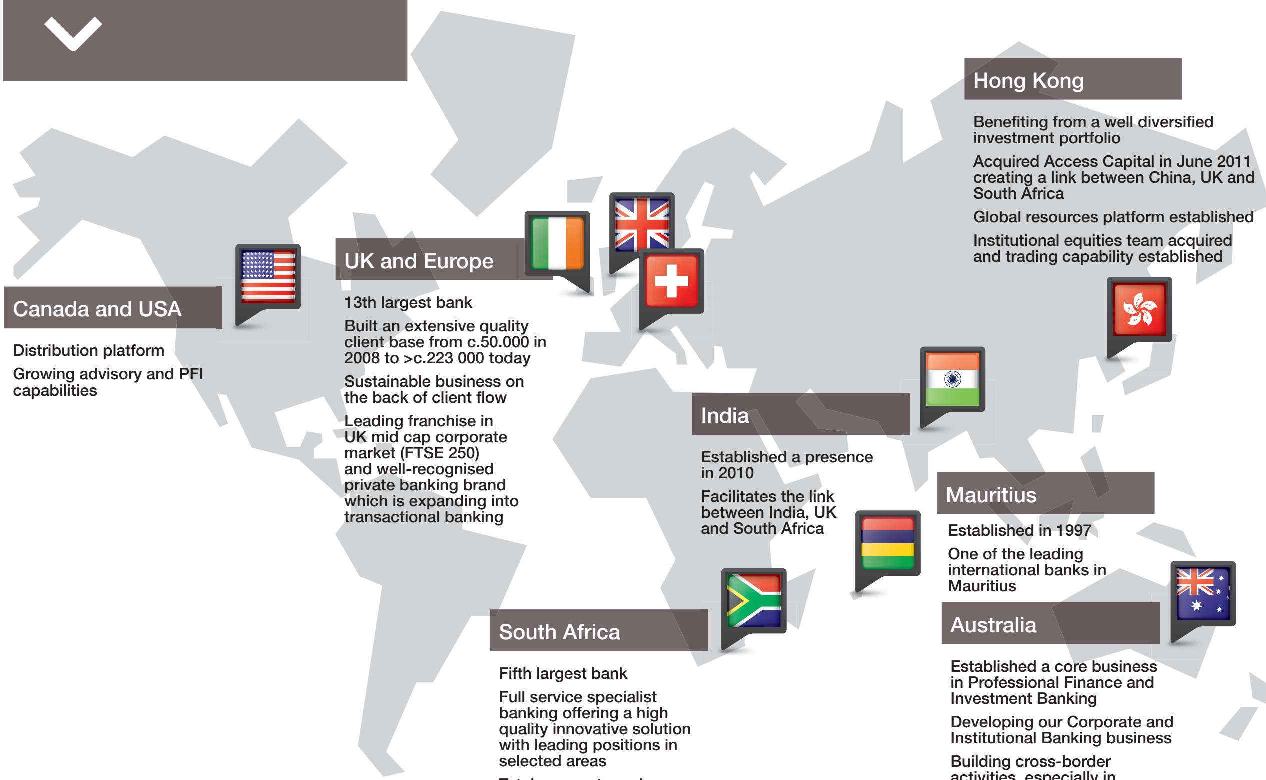
Private Banking Activities

Transactional banking
Lending
Deposits
Investments

Australia
Southern Africa
UK and Europe

Integrated systems and infrastructure

Where we operate



Canada and USA

Distribution platform
Growing advisory and PFI capabilities

UK and Europe

13th largest bank
Built an extensive quality client base from c.50.000 in 2008 to >c.223 000 today
Sustainable business on the back of client flow
Leading franchise in UK mid cap corporate market (FTSE 250) and well-recognised private banking brand which is expanding into transactional banking

Hong Kong

Benefiting from a well diversified investment portfolio
Acquired Access Capital in June 2011 creating a link between China, UK and South Africa
Global resources platform established
Institutional equities team acquired and trading capability established

India

Established a presence in 2010
Facilitates the link between India, UK and South Africa

Mauritius

Established in 1997
One of the leading international banks in Mauritius

South Africa

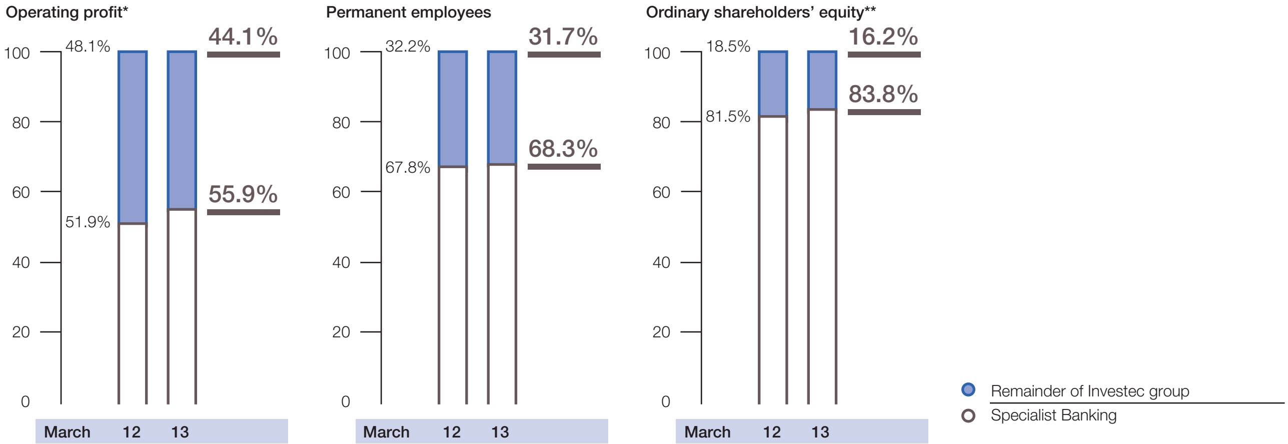
Fifth largest bank
Full service specialist banking offering a high quality innovative solution with leading positions in selected areas
Total corporate and private clients c.225 000

Australia

Established a core business in Professional Finance and Investment Banking
Developing our Corporate and Institutional Banking business
Building cross-border activities, especially in Resources and Mining
Gateway to Asia
Total corporate and private clients c.53 000

Specialist Banking (continued)

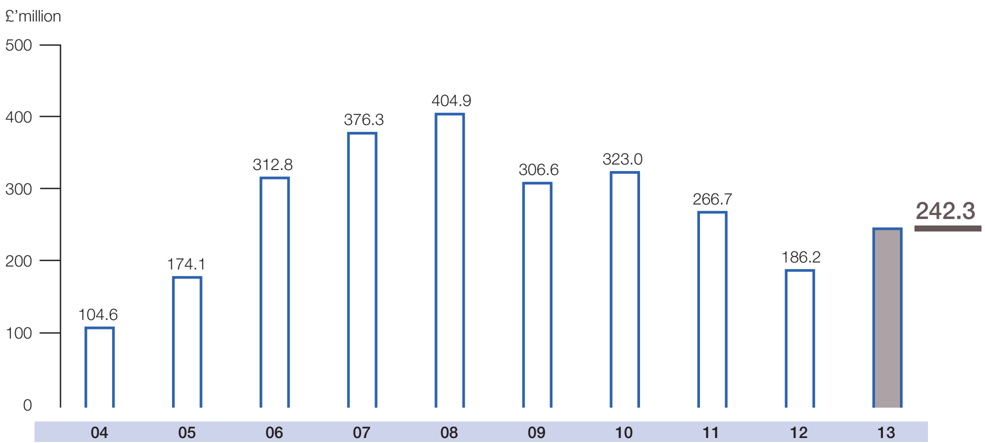
Financial analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.

** As calculated on page 50, based on regulatory capital requirements.

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 non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

Income statement analysis

£'000	31 March 2013	31 March 2012	Variance	% change
Net interest income	688 976	683 801	5 175	0.8%
Net fee and commission income	341 999	330 197	11 802	3.6%
Investment income	182 298	174 694	7 604	4.4%
Trading income arising from				
– customer flow	70 172	76 958	(6 786)	(8.8%)
– balance sheet management and other trading activities	35 083	31 727	3 356	10.6%
Other operating income	31 793	62 554	(30 761)	(49.2%)
Total operating income before Impairment on loans and advances	1 350 321	1 359 931	(9 610)	(0.7%)
Impairment losses on loans and advances	(251 012)	(325 118)	74 106	(22.8%)
Operating income	1 099 309	1 034 813	64 496	6.2%
Operating costs	(837 824)	(831 300)	(6 524)	0.8%
Depreciation on operating leased assets	(16 072)	(28 670)	12 598	(43.9%)
Operating profit before goodwill, acquired intangibles and non-operating items	245 413	174 843	70 570	40.4%
Operating (income)/losses attributable to non-controlling interests	(3 074)	11 368	(14 442)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	242 339	186 211	56 128	30.1%
UK and Other	51 156	52 880	(1 724)	(3.3%)
Southern Africa	187 782	199 212	(11 430)	(5.7%)
Australia	3 401	(65 881)	69 282	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	242 339	186 211	56 128	30.1%
Selected returns and key statistics				
Ordinary shareholders' equity*	2 803 195	2 714 259	88 936	3.3%
ROE (pre-tax)*	8.0%	6.2%		
Return on tangible equity (pre-tax)*	8.4%	6.5%		
Cost to income ratio	62.8%	62.4%		
Operating profit per employee (£'000)*	44.7	35.5	9.2	25.9%

* *As calculated on page 50 and 52, based on regulatory capital requirements.*

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

- Net interest income increased marginally largely as a result of increased lending turnover, partially offset by higher costs on subordinated liabilities and less interest earned on running down legacy portfolios
- Net fee and commission income increased due to fees reported in the Corporate Advisory business, however, transactional activity levels in the corporate institutional business remained mixed
- Investment income decreased as a result of lower returns generated on the fixed income portfolios. The unlisted investment portfolio continues to perform well
- Trading income was ahead of the prior year largely as a result of a good performance from the structured equity retail deposit business
- Other operating income includes associate income and income earned on an operating lease portfolio acquired during December 2010
- Total operating income decreased by 2.9%
- Impairments decreased by 8.9%. Further information is provided on pages 30 and 31 in volume two
- Operating expenses decreased largely as a result of lower depreciation recorded on operating leased assets, with other costs marginally ahead of the prior year.

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

- The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported. Results in Pounds Sterling have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 13% over the period. The Specialist Banking division reported operating profit before taxation of R2 542 million (2012: R2 334 million) Net interest income increased largely as a result of higher average loans and a sound performance from the fixed income portfolio, partially offset by higher costs on subordinated liabilities
- Net fees and commissions and customer flow trading income have been negatively impacted by lower activity in the Corporate and Institutional Banking business
- Investment income increased largely due to a solid performance from the unlisted principal investment and investment properties portfolios
- Total operating income increased by 10.2%
- Impairments increased marginally and defaults decreased significantly, with an improvement reported in the Private Client business offset by some corporate loans defaulting in the period. Further information is provided on pages 30 and 31 in volume two
- Operating expenses increased by 10.8%.

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

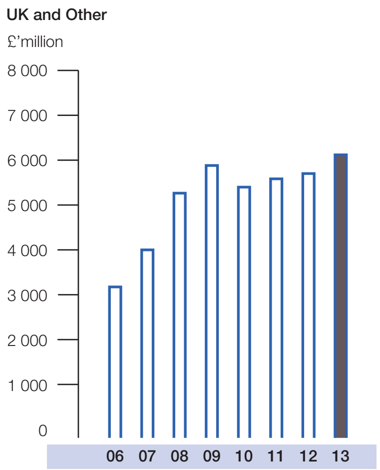
- The Australian Specialist Banking division reported a significant decrease in impairments
- Revenue increased largely as a result of fees earned in the Corporate Advisory and Corporate and Specialised Banking businesses. The professional finance and asset finance franchises continue to perform well.

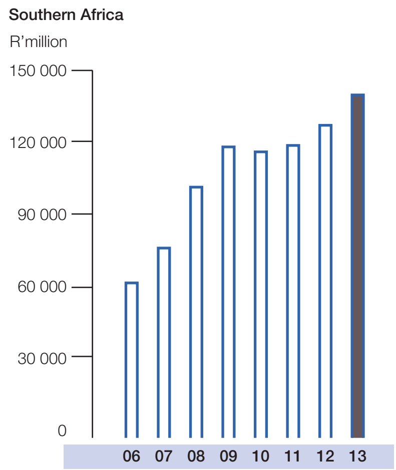
Analysis of key earnings drivers

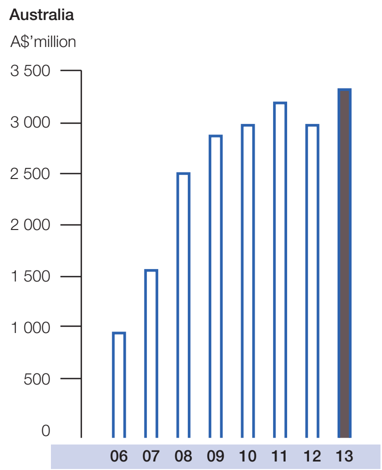
Net core loans and advances (excluding Kensington)

	£'million			Home currency 'million		
	31 March 2013	31 March 2012	% change	31 March 2013	31 March 2012	% change
UK and Other	6 045	5 788	4.4%	£6 045	£5 788	4.4%
Southern Africa	10 165	10 490	(3.1%)	R141 903	R128 712	10.2%
Australia	2 205	1 948	13.2%	A$3 219	A$3 000	7.3%
Total	18 415	18 226	1.0%			

Net core loans and advances (excluding Kensington)



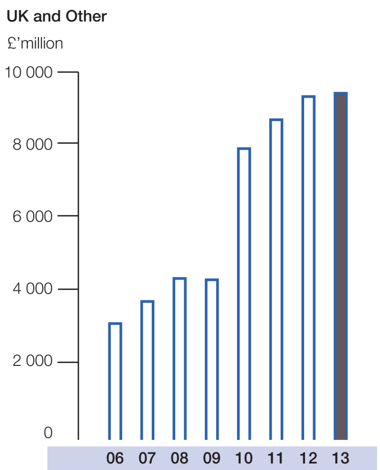


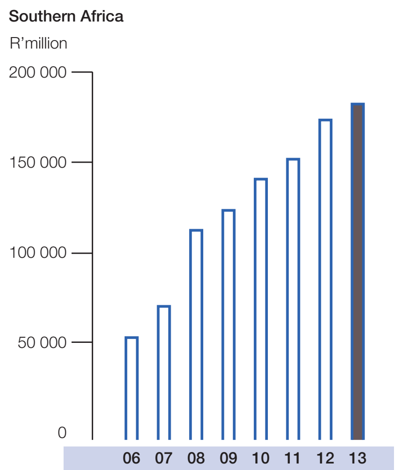


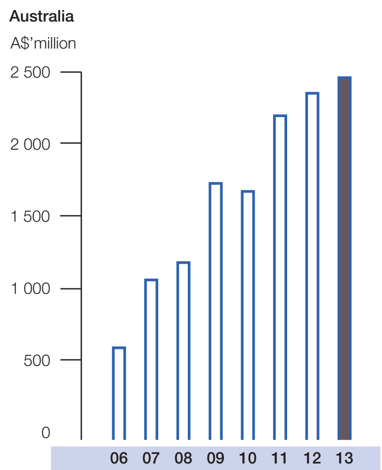
Total deposits

	£'million			Home currency 'million		
	31 March 2013	31 March 2012	% change	31 March 2013	31 March 2012	% change
UK and Other	9 561	9 459	1.1%	£9 561	£9 459	1.1%
Southern Africa	13 278	14 348	(7.5%)	R185 361	R176 050	5.3%
Australia	1 693	1 537	10.1%	A$2 472	A$2 367	4.4%
Total	24 532	25 344	(3.2%)			

Total deposits







Divisional review

2

Questions and answers

David van der Walt

Geographical business leader **United Kingdom**

Q Please give us an overview of the environment in which you operate

A Budgets ahead of Investec's financial year were prepared at a time when activity levels were high following a massive injection of liquidity by the ECB. Economic activity slowed dramatically from April 2012 on the back of European uncertainty, returning slowly from November 2012.

Banks remain high on the political agenda throughout Europe. Ongoing changes in regulation drive up costs and create instability with regard to remuneration, liquidity, Basel and conduct. The cost of liquidity went up and LIBOR moved down significantly in the first eight months of Investec's financial year; subsequently costs of liquidity have reduced substantially. Credit spreads reduced dramatically during the period.

The opportunity was Europe but Investec Specialist Bank chose not to enter the market. We pre-funded asset growth which never materialised, leaving us overfunded at a large expense. Volatility hit an all time low affecting trading books. Impairments remained higher than we had anticipated but improved year-on-year.

In summary it was a difficult period for us.

Q What have been the key developments in the business over the last financial year?

A There have been various highlights in the UK banking business. Asset Finance and the mortgages co-located in Reading in the first quarter of 2012. NCB was purchased in Ireland in June 2012. The private client Voyage card account was launched in November 2012. Kensington Mortgages was launched in November 2012 and Investec Mortgages in February 2013.

Online capability for retail deposit activities has been significantly enhanced. An Institutional Equities team was acquired in Hong Kong and trading capability established.

Banking operations were largely restructured under functional lines and progress is underway to optimise systems, processes and people.

The business units have been refocused on our core client base.

Q What are your strategic objectives for the coming year?

A Business objectives are to grow our client base and to optimise market penetration. We aim to launch ourselves as a committed and strategic partner in the high net worth and mid corporate space. We are actively managing impairments, costs and cost of liquidity. We plan to launch a credit and overdraft function for the Voyage card account in order to complete our transactional banking offering. We wish to take advantage of a dislocated UK banking landscape.

Q What is your outlook for the coming year?

A Growth should come from a reduced cost of funds, lower impairments and modest loan growth in high margin activities. We will originate and syndicate deals actively to ensure we churn our balance sheet and maximise the return on capital while ensuring we grow our client franchise. We will grow capital light businesses where possible.

Q How do you incorporate environmental and sustainability considerations into your business?

A Investec has a broad based approach to sustainability, which extends beyond our own footprint on the environment and our many CSI activities, to our funding and investing activities. This is based on a deeper responsibility to our environment and society as opposed to just for business purposes. As such, sustainable risk considerations are considered in the credit and investment processes when making lending or investment decisions. In particular, we take into account environmental, social and economic considerations when reviewing a potential transaction.

In the UK we have made substantial progress with reducing our internal operational footprint. During the period under review our energy management system at our Gresham Street offices gained ISO14001 certification and won a number of awards recognising our efforts in energy and waste management. Investec was also Highly Commended in the Community Impact category at the National Business Charity Awards for our work with Arrival Education, a social enterprise that designs and delivers programmes to young people from challenging backgrounds.

For further information download the sustainability report available on our website.

Questions and answers

Sam Hackner
Andy Leith
Richard Wainwright
Ciaran Whelan

Geographical business leaders South Africa

Q Please give us an overview of the environment in which you operate

A The South African environment was fairly volatile over the past year and a very strong stock exchange was overshadowed by very poor labour relations, weak currency, fiscal pressures and relatively low economic growth.

We, however, started to see good growth in our Private Banking Activities and moderate growth in the Corporate and Institutional Banking business. The weak conditions continue to impact our level of impairments which remain elevated. Our defaults, however, have declined significantly as a consequence of our tighter credit standards imposed five years ago and focused management on our problem book.

Most of our operating units showed an improved performance over the last year, particularly our Property group.

Basel III was implemented on 1 January 2013 and this has had a moderate effect on our capital levels as certain of our capital instruments are being phased out.

Q What have been the key developments in the business over the last financial year?

A We have seen very good progress on the implementation of the single bank structure.

The Corporate and Institutional Banking business created an integrated equities business incorporating equity derivatives, stockbroking and equity related structuring activities from the previous Capital Markets and Securities divisions. The business has five areas of focus, namely distribution, flow trading, research, structuring and prime services. Where feasible, research will also be leveraged off our international coverage.

Corporate lending portfolios have grown by 10%.

A Prime Services platform is being established which will consolidate prime broking, clearing and scrip lending activities.

We have maintained a strong positioning in the South African Advisory business. Our focus has been on local and cross-border M&A, capital raisings and restructuring transactions.

The Corporate Finance division was ranked second in volume of listed M&A transactions and third in general corporate finance in *Dealmakers Magazine* Survey for Corporate Finance (2012 calendar year). We have been ranked first in volume of listed M&A transactions for nine out of the last 12 years.

Private Banking activities have been separated into two focus areas, namely high income and high net worth, to enhance the offering and the commensurate profitability.

This renewed focus on core banking in the high income space is aimed at improving the client experience, increasing client acquisition and utilisation of core products.

The Investec Property Fund which was listed on the JSE in April 2011 continues to grow and during the year made acquisitions of R2.1 billion. It currently comprises a portfolio of 50 properties with a gross lettable area of 568 978 square metres and a market capitalisation of R5.2 billion as at 31 March 2013. The Fund creates opportunities for us to develop quality product as it has a strategy to grow aggressively over the next five years.

Q What are your strategic objectives for the coming year?

A The overall business has gone through significant change over the past few years, dealing with the consequences of the global financial crisis and our single bank project.

Foundations are now well-rooted for future growth and development. Cooperation and collaboration across the business units has improved significantly.

The focus is on continuing to service our existing clients in the best possible way while at the same time attracting new clients across all our franchises.

Significant effort will be made on cross-selling our products across different client bases so that we continue to provide integrated solutions to our clients.

We continue to roll out our Africa strategy concentrating on a number of core geographies in Sub-Saharan Africa. These initiatives remain focused largely on advisory, corporate institutional banking and asset management opportunities.

Questions and answers

David Clarke and Ciaran Whelan

Outgoing Acting

Geographical business leaders **Australia**

Q What is your outlook for the coming year?

A The past few years have been tough for the bank in South Africa as impairments have been elevated and activity levels moderate.

Looking forward, the overall level of defaults has declined to a level not seen for a few years. The single bank project has improved cooperation across the group and the morale has increased significantly.

Whilst the macro environment remains volatile, we, as a group, are well positioned to grow our market share and underlying profitability.

Q How do you incorporate environmental and sustainability considerations into your business?

A Given the severe lack of skills in South Africa, we use our expertise as a business to enrich communities around us through education and entrepreneurship. In this regard, we spent over R10 million during the past financial year on our Promaths programme which offers extra maths and science lessons to grade 10, 11 and 12 learners, facilitating entrance into tertiary learning institutions.

From an environmental point of view, the greatest impact we can have is through our business activities finding opportunities for our clients in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing. For example, we are financing some R3.2 billion worth of renewable energy projects in South Africa over the next two to three years. Post year end we finalised a deal whereby Investec is financing R105 million for a co-generation plant that uses waste heat from hot water from a smelter which evaporates into gas to drive a turbine in the system and helps reduce the plant's overall power costs.

Q Please give us an overview of the environment in which you operate

A The last year saw the continuation of Investec's strategy to optimise the business in Australia and focus on our core activities as a specialist bank in niche markets. With a strong, stable and de-risked business model, we have focused on delivering returns and this has been reflected in Investec Australia returning to profit in 2012.

Australia's economic environment gradually improved during the course of Investec's 2012/13 financial year. Inflation at only 2% is under control and interest rates are reasonable with the economy growing, albeit slightly below trend.

Competition for retail deposits increased all banks' cost of funds during the year however, recent increased levels of liquidity in the market saw this cost reduce as the financial year came to an end. Australia's low interest rate environment assisted a gradual increase in confidence and activity in our lending areas from both corporate and private clients.

This stable operating environment has resulted in consistent activity in our Private Banking division and strong performances from our Corporate Advisory and Corporate Lending businesses.

For further information download the sustainability report available on our website.

Q What have been the key developments in the business over the last financial year?

A Investec Australia is focused on selectively growing our loan portfolio, expanding the Private Banking business with new products and continuing to diversify our deposit base.

Through the year, we announced the growth of our Asset Finance and Leasing business through the 100% acquisition of Alliance Equipment Finance, a respected vendor finance business with a 20-year history in the Australian market. Asset finance and leasing is an integral part of Investec's global strategy, with established operations across South Africa and the UK. The acquisition strengthens our capabilities and provides us with a new direct offering for our existing clients as well as a broadened portfolio of new customers.

Our everyday banking offering expanded through the launch of Investec's first credit card in Australia, the Investec Visa Signature card and the Investec Visa Platinum card. We added improved functionality to our online cash management account, and have one of Australia's best value deposit products and as such were awarded Canstar's Best Value Term Deposit in 2012.

Our deal-based income streams have continued to gain momentum, particularly through our Corporate Advisory activities and their approach in providing a specialist service to some of Australasia's largest companies. This year, we have represented a number of high profile clients including managing the sale of Australia's largest poultry provider, Ingham Enterprises, to private equity firm TPG (announced in March 2013).

As one of Australia's largest finance providers to the medical and dental industry, we continued our expansion into this niche professional market by entering a partnership with CPA Australia (the official body for Certified Practising Accountants in Australia) to target finance and accounting professionals.

Q What are your strategic objectives for the coming year?

A Our number one priority is to nurture the relationships we have with our clients while reaching out to new ones. Our people are passionate about delivering exceptional client experiences and understanding the needs of our clients.

Additionally, we will continue to maintain a prudent deposit base while minimising our cost of funds. We have built strong annuity streams across the business which places us in good stead for the coming year. We believe we are now operating in the right markets and are focused on continuing in these niches. By doing this our people are becoming known as experts in the industries in which we operate.

We are also fostering a culture of constant improvement in everything we do. We're looking to maximise efficiencies in the way we operate.

Q What is your outlook for the coming year?

A We enter the year with a good pipeline of activity and an asset book with strong credit quality, well funded by our private client deposit base.

The Australian economic landscape is stable with the only real uncertainty centred on the country's Federal election in September 2013. Optimism in the market has improved and we believe Investec is well positioned to capture identified opportunities.

During the year ahead we have a particular focus on growing our Asset Finance and Leasing business, and continuing to expand and deepen our relationships in Private Banking with our professional client base.

Q How do you incorporate environmental and sustainability considerations into your business?

In Australia, sustainability plays a key role in our operations. Through the Investec Foundation and other operating committees, we have a number of initiatives that are at the forefront of ensuring Investec's profitability is not achieved at a cost to the environment.

We have a team of employees who actively implement initiatives that reduce our footprint on the environment. In our tenancies, while we are not the owner of the buildings, we are committed to reducing waste year-on-year.

To maximise our recycling efforts, our offices make use of co-mingled recycling bins, eco bins for all employees and we recently introduced 'swipe to print' which has dramatically reduced our paper consumption. Where possible we utilise office furniture made from recycled materials and our tenancies feature LED sensor lighting which is shut off completely after core business hours. We also encourage our employees to use public transport to and from work and we're forging the way in making it easier for employees to work from home.

For further information download the sustainability report available on our website.

Corporate governance report

Corporate governance report

Joint chairmen's introduction

Dear shareholder

Introduction

We are pleased to present the 2013 annual corporate governance report which sets out Investec's approach to corporate governance and more specifically, how we as joint chairmen ensure that we discharge our duties of leading the board and ensuring the board's effectiveness in carrying out its role.

Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a dual listed company (DLC), operates within.

The board, management and employees of Investec are committed to complying with the disclosure and transparency rules and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) listings requirements, regulatory requirements in the countries in which we operate, the UK Corporate Governance Code 2010 (the Code) and the King Code of Governance Principles for South Africa (King III). Therefore all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

Our culture and values

Underpinning these legislative, regulatory and best practice requirements are Investec's values and philosophies, which provide the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics.

As noted, we operate under a DLC structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate rule for the group.

All international business units operate in accordance with the above determined corporate governance requirements, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

2013 areas of focus

Leadership

- In 2012 we commissioned an externally facilitated board effectiveness review. Whilst the review, conducted by Professor Rob Goffee of the London Business School, concluded that the board was operating effectively, there were areas which the board felt it could improve and we have been driving a programme to ensure that these improvements are implemented. Further details are set out in the report of the nominations and directors' affairs committee (NOMDAC)
- One of these areas was to further strengthen the involvement of the non-executive directors in developing and challenging proposals on strategy. Accordingly, the board's annual strategy session was, for the first time, facilitated by an external third party.

Board effectiveness

- Composition of the board and audit committees:
  - During the year under review we appointed David Friedland as an independent non-executive director and member of the audit committees. As from 8 August 2013 David will succeed Sam Abrahams as chairman of the audit committee.
- Composition of the DLC remuneration committee:
  - George Alford has stepped down as chairman of the DLC remuneration committee, with effect from 31 March 2013, and Olivia Dickson was appointed as acting chairman in his place for a period of six months. Bradley Fried was appointed as a member of the committee, effective from 3 April 2013. Although Bradley is not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to appointment as a director, his knowledge and experience of the group is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code of ethics.

Board committee structure

- We are currently reviewing the committee structure supporting the Investec plc audit committee in light of regulatory changes in the UK, particularly following the implementation of the new 'Twin Peaks' model of regulation and the additional focus on conduct risk and outcomes for consumers.

2014 priorities

In broad terms, our priorities for 2014, from a corporate governance perspective, are as follows:

Leadership

- A key responsibility of the joint chairmen is to ensure that the board receives the appropriate information it requires in order to discharge its duties. We have commissioned a review of the information that the board currently receives to ensure that, in this fast changing regulatory environment, it enables non-executive challenge.

Board effectiveness

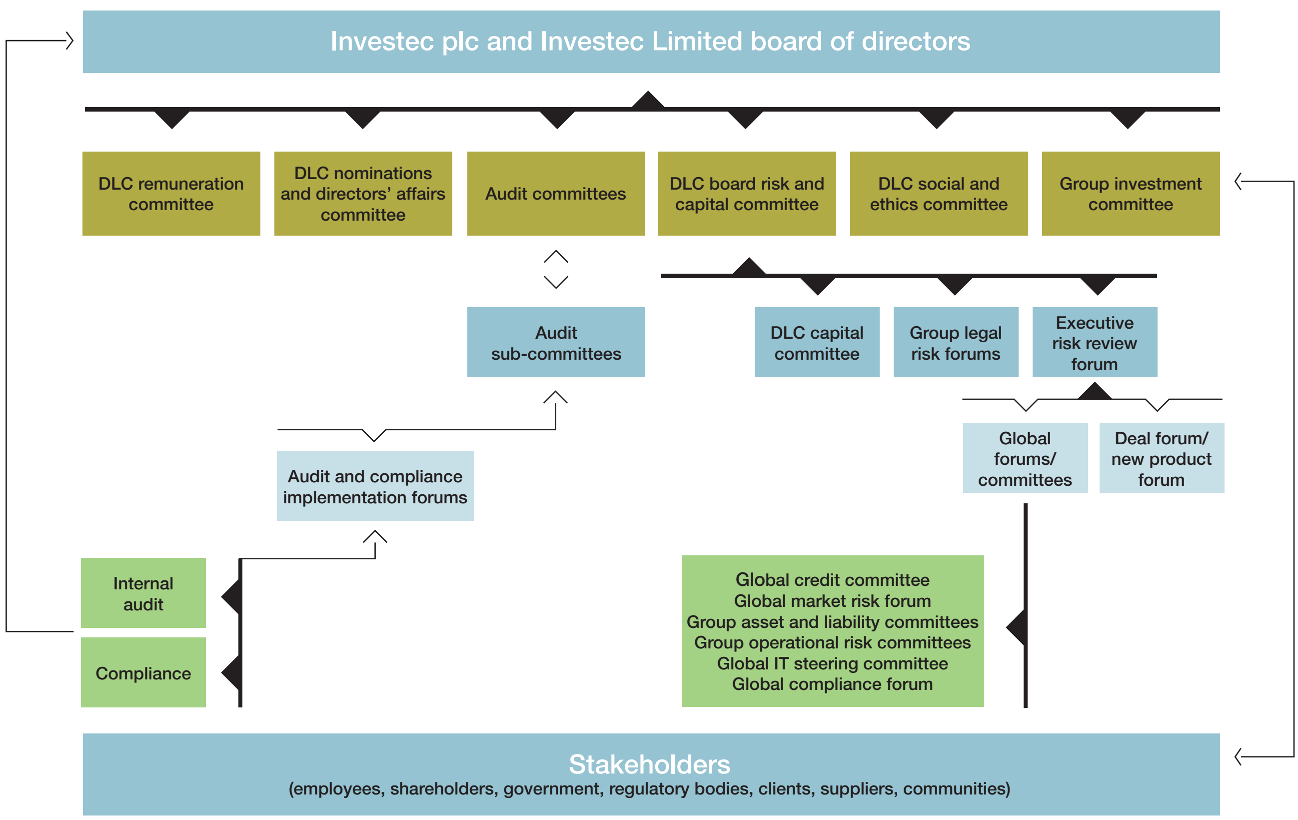
- Composition of the board:
  - The NOMDAC continues to focus on ensuring that the board has the appropriate balance of skills, experience, independence and knowledge of the group. The board has agreed, on the recommendation of the NOMDAC, to implement a structured refreshment programme so as to ensure that we are recruiting new, independent non-executive directors and retiring some of our longer serving non-executive directors over a period of years. In this regard, discussions have been concluded with two non-executive directors that they will not stand for re-election at the August 2014 annual general meeting.
  - Per Lord Davies' report on 'Women on Boards', the board, has an aspirational target of 25% female representation on the board by 2015. The board acknowledges the value to be derived from bringing together on the board individuals with a broad range of backgrounds, experience and outlook. Gender is recognised to be an important part of that diversity and currently the board composition includes three women. While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above. As described in our sustainability report, diversity and employment equity are issues on which the group continues to focus. Going forward we intend working with the NOMDAC and the board to articulate a policy on board diversity reflective of UK and South African regulatory and governance requirements.

Conclusion

We acknowledge that the environment in which we operate provides challenges from a governance and regulatory perspective; however, we are confident that our culture and values will continue, as ever, to provide the group with a strong foundation that will enable the board and group to meet these challenges going forward.

Sir David J Prosser | Fani Titi
Joint chairmen

Governance framework



Statement of compliance

UK Corporate Governance Code (2010)

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has complied with the relevant provisions set out in the UK Corporate Governance Code (the Code), save that:

- Bradley Fried, who is not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to appointment as a director, was appointed as a member of the DLC remuneration committee on 3 April 2013. Given the increasing complexity of remuneration policy and its application to the group, Bradley's knowledge and experience of the group is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders
- Fani Titi, on his appointment as joint chairman in November 2011, was not considered independent at the time in view of his previous connection with Tiso Group Limited. Tiso had a material relationship with Investec Limited arising from the empowerment transaction concluded in 2003 as in light of South Africa's Financial Sector Charter. Fani resigned as board member and chairman of Tiso during March 2008 and as the UK Corporate Governance Code requires a five year break in the relationship, going forward Fani will be regarded as independent.

King III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, Investec has applied the King III principles.

For a complete list of all principles and a reference to demonstrate how Investec has applied these principles, please refer to our website.

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 and consolidated 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 Investec faces 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

Further information is provided on pages 89 to 97.

The significant risks we continue to face include risks flowing from the instability in the global financial market and the global 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
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

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 63 to 74 in volume two and pages 80 to 83 in volume two.

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

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years.

Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network, as depicted on page 55.

Each strategic business unit has a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

Matters of succession are regularly considered by the NOMDAC.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The DLC board risk and capital committee (BRCC) and audit committees assist the board in this regard. Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as group risk management, internal audit and compliance. These ongoing processes, which comply with the Turnbull guidance, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant audit committee. Appropriate processes, including review by the audit and compliance implementation forums, ensure that timely corrective action is taken on matters raised by internal audit. Significant risks are regularly considered by the executive risk review forum (ERRF) and by the BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Certain statutory duties with respect to directors' conflict of interest are in force under the UK Companies Act 2006 and the South African Companies Act 2008, as amended. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles and MOI, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are independently assessed by Internal Audit and Compliance.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

Directors' dealings

The remuneration report, as set out on pages 113 to 136, contains details of Investec shares held by directors.

Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice.

All directors' dealings require the prior approval of the Compliance division and one of the joint chairmen or, in the absence of both the joint chairmen, George Alford as the senior independent director or Sam Abrahams as the chairman of the audit committees. All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and one of the joint chairmen.

Board of directors

In terms of DLC arrangements, the boards of Investec plc and Investec Limited are identical and the group is managed as a unified economic enterprise. The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of Investec. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board has adopted a board charter, which provides a framework of how the boards operate as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

The Investec board:

- Approves the group's strategy
- Ensures that the group complies with the applicable laws and regulations and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as a focal point for, and the custodian of corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the group is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities:

- The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees and group forums
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its sub-committees, the Investec board:

- Assesses the quantitative and qualitative aspects of Investec's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors the group's compliance with relevant laws, regulations and codes of business practice
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors our communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of the internal systems of control
- Ensures we adopt sustainable business practices, including our social and environmental activities
- Assisted by the audit committee, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance, including IT, is in place including continual risk monitoring

by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis

- Ensures the integrity of the group's integrated report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

Membership

At the end of the year under review, the Investec board, excluding the joint chairmen, comprised four executive directors and 11 non-executive directors.

Biographical details of the directors are set out on pages 99 and 100.

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out in the table below.

In accordance with the UK Corporate Governance Code, the entire board, excluding Sam Abrahams, will offer itself for re-election at the 2013 annual general meeting.

Board meetings

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding the annual two day board strategy session. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure.

Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa, respectively. Special (unscheduled) meetings are called as the need arises.

The joint chairmen are responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

Independence

- As at 31 March 2013, the board is compliant with Principle B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the chairmen, comprises independent non-executive directors
- As at 31 March 2013, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

A summary of the factors the board uses to determine the independence of non-executive directors is detailed below.

Relationships and associations

- Peter Malungani is the chairman of Peu Group (Pty) Ltd (Peu). Peu had a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. Accordingly, the board concluded that Peter could not be considered independent under the UK Corporate Governance Code and King III
- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian was also previously CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III
- Bradley Fried resigned as CEO of Investec Bank plc and as an employee of Investec during March 2010. The board soon thereafter appointed Bradley as a non-executive director due to his specific business skills, knowledge and experience in the group which is valuable to the organisation. Accordingly, the board concluded that Bradley could not be considered independent under the UK Corporate Governance Code and King III.

Despite the board concluding that Peter, Ian and Bradley cannot be considered independent for the reasons explained above, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and believe they do and will use their independent judgement when making decisions that affect the organisation and stakeholders.

Tenure

The board follows a robust process of assessing independence on an annual basis for each director whose tenure exceeds nine years. The board does not believe that tenure of any of the current

	Date of appointment		
	Investec plc	Investec Limited	Independent
Executive directors			
S Koseff (chief executive officer)	26 Jun 2002	6 Oct 1986	–
B Kantor (managing director)	26 Jun 2002	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	3 Jul 2002	–
HJ du Toit	15 Dec 2010	15 Dec 2010	–
Non-executive directors			
Sir David J Prosser (joint chairman)	23 Mar 2006	23 Mar 2006	Yes
F Titi (joint chairman)*	30 Jan 2004	30 Jan 2004	No
SE Abrahams	26 Jun 2002	21 Oct 1996	Yes
GFO Alford (senior independent director)	26 Jun 2002	26 Jun 2002	Yes
CA Carolus	18 Mar 2005	18 Mar 2005	Yes
PKO Crosthwaite	18 Jun 2010	18 Jun 2010	Yes
OC Dickson	31 Mar 2011	31 Mar 2011	Yes
B Fried	1 Apr 2010	1 Apr 2010	No
D Friedland	1 Mar 2013	1 Mar 2013	Yes
H Fukuda OBE	21 Jul 2003	21 Jul 2003	Yes
IR Kantor	26 Jun 2002	30 Jul 1980	No
MP Malungani	26 Jun 2002	26 Jun 2002	No
PRS Thomas	26 Jun 2002	29 Jun 1981	Yes

* *F Titi is regarded as independent as from 1 April 2013 and will be reflected as such going forward.*

Details of directors' attendance at the six regular board meetings held during the financial year ended 31 March 2013:

	Meetings attended
Executive directors	
S Koseff (chief executive officer)	6
B Kantor (managing director)	6
GR Burger (group risk and finance director)	6
HJ du Toit	6
Non-executive directors	
Sir David J Prosser (joint chairman)	6
F Titi (joint chairman)	6
SE Abrahams	6
GFO Alford (senior independent director)	6
CA Carolus	6
PKO Crosthwaite	6
OC Dickson	6
B Fried	6
D Friedland**	1
H Fukuda OBE	6
IR Kantor	6
MP Malungani	6
PRS Thomas	6

The number of meetings held during the year also excludes the single additional meeting of Investec plc only and Investec Limited only.

Details of directors' attendance at the three non-regular board meetings held during the financial year ended 31 March 2013:

	Meetings attended
Executive directors	
S Koseff (chief executive officer)	3
B Kantor (managing director)	3
GR Burger (group risk and finance director)	3
HJ du Toit*	–
Non-executive directors	
Sir David J Prosser (joint chairman)	3
F Titi (joint chairman)	3
SE Abrahams	3
GFO Alford (senior independent director)	3
CA Carolus	1
PKO Crosthwaite	2
OC Dickson	2
B Fried	–
D Friedland**	2
H Fukuda OBE	2
IR Kantor	–
MP Malungani	–
PRS Thomas	2

* *Hendrik du Toit recused himself from two of the three non-regular board meetings.*

** *David Friedland was appointed with effect from 1 March 2013.*

non-executive directors materially interferes with their independence of judgement and their ability to act in Investec's best interests. Accordingly, the board has concluded that Fani Titi, George Alford, Peter Thomas, Sam Abrahams and Haruko Fukuda, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement. Sam will not however offer himself for re-election at the upcoming annual general meeting.

Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that these non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at risk management meetings

Sam Abrahams and Peter Thomas regularly attend, by invitation, certain credit committees of the group. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This further allows Sam to discharge his responsibilities more effectively as chairman of the Investec plc and Investec Limited audit committees. The board concluded that Sam and Peter retain their independence of character and judgement. Going forward, David Friedland will attend certain credit committees for the same reasons as explained above.

Skills, knowledge, experience and attributes of directors

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and the group's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which the group operates

Results showed that the board was satisfied with various aspects of board governance and functioning and described a board regarded as operating with high levels of trust and integrity; and with high standards of corporate governance.

- Knowledge of the regulatory environments in which the group operates
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the NOMDAC, to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

As noted in the joint chairmen's introduction, the board commissioned a board effectiveness review (the Review) conducted by an external, independent facilitator, Professor Rob Goffee of the London Business School. Professor Goffee has no connection with the group.

The Review took the form of a detailed questionnaire as well as a series of structured interviews held individually with each of the directors. All board directors were interviewed during the course of the Review and all directors completed the questionnaire.

Overall, the results showed that the board was satisfied with various aspects of board governance and functioning. The board is regarded as operating with high levels of trust and integrity and high standards of corporate governance.

Particular strengths were noted as being:

- Risk management
- Functioning of the audit committees
- Overall standards of corporate governance, trust and integrity
- Teamwork of the joint chairmen and separation of their roles from the group chief executive officer
- Teamwork of the executive directors
- Free and open exchange of discussions that take place at board meetings.

Areas for improvement included:

- Strategy and structure: There was scope for the board to have a clearer appreciation of strategic priorities to improve the contribution of the board to the group's strategic direction. An externally facilitated strategy session was held on 18 and 19 March 2013 which ensured that the non-executive directors obtained a clearer appreciation of strategic priorities. This helped the board achieve an appropriate balance between performance demands and regulatory requirements
- Board mechanics: The board suggested a need to review the information that it receives to ensure that, in this fast changing regulatory environment, the information flows to the board facilitate a focus on both past performance and key risks facing the business to facilitate non-executive challenge. Accordingly a review has commenced to map information flows throughout the governance structure and present recommendations to the board on appropriate reporting requirements going forward
- Board dynamics and culture: In the context of preserving strongly established values of trust, openness and commercialism with the evolving requirements of a maturing organisation and shifting regulatory landscape, concerns were expressed about the balance and 'refreshment' of the board. It was agreed in consultation with the NOMDAC to take the necessary measures in respect of the balance of non-executives to executives as well as to embark on a refreshment programme. Further details are provided below.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

On the recommendation of the NOMDAC, non-executive directors will be appointed for an expected term of nine years (three times three year terms) from the date of their first appointment to the board.

Ongoing training and development

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with the business unit and central services heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risks.

Directors' ongoing training and development is a standing board agenda item, including updates on various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

The company secretaries liaise with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

During the year under review, a number of director workshops were arranged outside board meetings.

Independent advice

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2013 financial year.

Remuneration

Details of the directors' remuneration and remuneration process are set out in the remuneration report on pages 113 to 136.

Joint chairmen and chief executive officer

The roles of the joint chairmen and chief executive officer are distinct and separate. The joint chairmen lead the board and are responsible for ensuring that the board receives accurate, timely and clear information to ensure that the directors can perform their duties effectively.

Details of the joint chairmen's external directorships are set out on page 99.

The board does not consider that the joint chairmen's external commitments interfere with their performance and responsibilities to Investec. The board is satisfied that the joint chairmen make sufficient time available to serve Investec effectively.

The board has not appointed a deputy chairman.

Senior independent director

George Alford is the senior independent director. He is available to address any concerns or questions from shareholders and non-executive directors.

Company secretaries

David Miller is the company secretary of Investec plc and Benita Coetsee is the company secretary of Investec Limited. The company secretaries are professionally qualified and have experience gained over a number of years. Their services are evaluated by board members during the annual board evaluation process. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretaries, whose appointment and removal are a board matter.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that each of the company secretaries is competent, has the relevant qualifications and experience and maintains an arm's-length relationship with the board. In evaluating these qualities, the boards have considered the prescribed role and duties pursuant to the requirements codified in the South African and the UK Companies Acts and the listings and governance requirements as applicable.

In addition, the board confirms that neither of the company secretaries has served as a director on the board of Investec plc and/or Investec Limited, nor do they take part in board deliberations and only advise on matters of governance, form or procedure. The review was for the period 1 April 2012 to 31 March 2013.

Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

The full terms of reference are available on our website.

The following table indicates non-executive board representation on the board committees as at the date of this report:

Members	Indepen-dent	DLC audit	Investec plc audit	Investec Limited audit	DLC remun-eration	DLC NOMDAC	DLC BRCC	DLC social and ethics commit-tee
Sir David J Prosser (joint chairman)	Yes				√	√	√	
F Titi (joint chairman)	Yes					Chair	√	Chair
SE Abrahams	Yes	Chair	Chair	Chair		√	√	
GFO Alford (senior independent director)*	Yes	√	√	√		√		
CA Carolus	Yes							√
PKO Crosthwaite	Yes				√			
OC Dickson	Yes	√	√	√	Acting chair			
B Fried	No				√		√	
D Friedland**	Yes	√	√	√			√	
H Fukuda OBE	Yes						√	
IR Kantor^	No						√	
MP Malungani	No						√	
PRS Thomas	Yes	√	√	√		√	√	√

* *GFO Alford was appointed to the NOMDAC with effect from 11 September 2012 and stepped down from the BRCC with effect from 1 April 2013 and the DLC remuneration committee with effect from 31 March 2013.*

** *D Friedland was appointed to the audit committees and the BRCC with effect from 1 March 2013.*

^ *IR Kantor was appointed to the BRCC with effect from 1 April 2013.*

Audit committees

Introduction

This report to the board and shareholders, on how the audit committees have discharged their duties, has been prepared in accordance with sound governance principles.

Background

In terms of Investec's DLC structure, the board has mandated authority to Investec plc audit committee and the Investec Limited audit committee to be the audit committees for those respective companies and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is the combined audit committee of Investec plc and Investec Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited, and, in particular, the combined group financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules, and apply the corporate governance principles for audit committees as required by both the UK Corporate Governance Code and King III. External auditors from both the UK and South Africa are represented.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard the audit committees have oversight of:

- Financial reporting risks
- Internal financial risks
- Fraud and IT risks as they relate to financial reporting.

At each audit committee meeting, the group chief executive officer, group managing director and group finance director provide an in-depth assessment of their current risk related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all group audit committee meetings, the chairman provides a written report to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware.

The board has approved terms of reference for the audit committees which can be found on our website.

All responsibilities are covered in the audit committees' terms of reference.

The audit committees approve the annual internal audit plan. The heads of internal audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

Membership and attendance

All audit committee members are required to meet pre-determined skills, competency and experience requirements. We believe the audit committees have the necessary expertise to discharge their responsibilities effectively. In aggregate the audit committees meet 12 times per year.

Attendance by current members at audit committee meetings during the financial year ended 31 March 2013:

Members	DLC audit committee		Investec plc audit committee		Investec Limited audit committee	
	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
SE Abrahams (chairman)	4	4	4	4	4	4
GFO Alford	4	4	4	4	4	4
OC Dickson	4	4	4	4	4	4
D Friedland*	–	-	4	1	4	1
PRS Thomas	4	4	4	4	4	4
CB Tshili**	4	4	n/a	n/a	4	4

* *D Friedland was appointed to the audit committees with effect from 1 March 2013.*

** *CB Tshili is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.*

Summary of conclusions reached by the audit committees for the year ended 31 March 2013

Following a review and meeting the requirements of each of the terms of reference, the individual and combined audit committees, to the best of my and our knowledge and belief, are satisfied that:

- The finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and all material weaknesses in financial control have been identified and mitigated in due course
- The external auditors of both Investec plc and Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience.

In fulfilling their duties, the audit committees have:

- Reviewed and discussed the audited annual financial statements with the external auditors, the chief executive officer and the finance director
- Reviewed the adjustments resulting from external audit queries and accepted the unadjusted audit differences as they were not material
- Reviewed the quality of the financial reporting and disclosures
- Received and considered reports from the internal auditors
- Reviewed and overseen the integrated reporting process
- Considered and approved the annual internal audit plan
- Reviewed and considered representation by management on the going concern statement for the group and recommended the adoption of the going concern concept to the board.

The audit committees recommended the adoption of the integrated report to the board.

In this regard the audit committees:

- Considered all facts and risks that may impact on the integrity of the integrated report
- Reviewed and commented on the financial statements included in the integrated report
- Reviewed the disclosure of sustainability issues in the integrated report to ensure they are reliable and do not conflict with the financial information
- Engaged Grant Thornton to verify all the environmental data included in the report. Neither of the audit firms engaged in the group's external audit were considered for the project.

The board subsequently approved the integrated report, including the financial statements, which will be open for approval at the forthcoming annual general meeting.

For each audit committee and audit sub-committee meeting a comprehensive meeting pack is prepared with written reports received from the finance, internal audit, operational risk, compliance and IT functions as well as external audit. Representatives from these functions attend the meetings by invitation and present on the significant matters included in their reports.

The flow chart overleaf depicts the Investec group audit committees' structure and ambit of activities.

Audit sub-committees

Audit sub-committees for Investec plc and Investec Limited, and other regulated subsidiaries, have been established. Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with major issues being escalated to the audit committees. These allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of the business units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

Audit committees' structure

Audit committees of Investec plc and Investec Limited

DLC audit committees

External auditors
- Planning/budget
- Conflict/independence
- Attest and non-attest fees
- Reports to regulators
- Management letter
- Quality of earnings (overs and unders schedule)
- Appointment/re-appointment

Compliance
- Planning/budget
- Resources
- High level reporting of non-compliance
- Monitoring of special projects
- Regulatory matters

Tax
- High level only

Internal auditors
- Planning/budget
- Resources
- Annual audit plan
- Adequacy of staffing complement
- Succession planning
- Charter
- Execution
- Reporting
- Special ad hoc work
- Review of high level reports
- Internal controls
- Sustainability report

Operational risk
- Fundamental internal controls
- Fraud and loss statistics
- Insurance coverage
- Corporate governance (SA Banks Act requirements)
- Disaster recovery and business continuity
- Key staff issues

Finance
- Accounting policies
- Annual financial statements
  - Half-year results
  - Year-end results
- Production of audited financial statements of companies and subsidiaries
- Accounting for one-off transactions
- Accounting updates and conventions – IFRS
- Basel
- Reconciliations
- Regulatory reports
- Representation letters

Audit sub-committees
- Distil only major issues to audit committees

Audit compliance implementation forum
- High level reports

Information technology
- Status
- Major risks
- Change control
- Capacity management
- Security and fraud awareness
- Staffing
- Projects
- Governance

Current risk review
- Chief executive officer
- Managing director
- Financial director

Audit and compliance implementation forums

Audit and compliance implementation forums have been established for Investec plc and Investec Limited and their principal operating subsidiaries. Each audit and compliance implementation forum is attended by key executives and heads of risk and control functions. Non-executive directors have an open invitation to attend. These forums monitor and report on the implementation of recommendations and other matters that the relevant audit committee or audit sub-committee consider important. They facilitate the timely understanding and escalation of, and reaction to, risk and control matters that require a response from management.

The forums are key to enhancing risk and control consciousness and the associated control environment of the group. The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

Key risks addressed during the year under review

During the year under review, the following key risks were debated at all audit committee meetings:

- The process and procedures undertaken by senior management to review the impairment provisions and valuation techniques adopted in arriving at the carrying values of financial instruments, investments, etc
- The adequacy and appropriateness of liquidity throughout the group's operations
- The implementation of measures taken to further enhance group IT governance. In addition, the audit committee has had significant influence in ensuring that IT global management has assessed the controls over 'super users/privileged users' to ensure audit trails are monitored and controlled. One of the major risks facing all banking groups globally is that third parties often have direct access to banks' computer environment
- The year under review has seen a significant escalation in attempted IT fraud throughout the group. Considerable effort and time has been devoted by management and reviewed by the audit committees to ensure that IT controls are robust and that the efforts of fraudsters are countered aggressively
- Adherence to key regulatory issues facing the group via strict compliance and the result of ongoing compliance monitoring procedures
- The integration of the Evolution Group businesses into the group remained a key element of the Investec Wealth & Investment sub-audit process. In particular the Williams de Broë business acquisition and integration was carefully monitored with most major integration issues resolved during the year
- Obtained feedback on the risk assessment project conducted by the UK Regulator in the United Kingdom during the year. This process formerly referred to as 'Arrow' concentrated on both the prudential and conduct

reviews. Progress on dealing with the issues raised by the regulators is being monitored by the audit committees as well as by other group risk committees

- Specific emphasis has continued to be placed on processes around the Companies Act in South Africa
- Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

With the assistance of Internal Audit, assisted by Operational Risk, we have received written combined assurance from the entire DLC group comprising all business units and assurance providers as well as support functions.

I have also met with representatives of various shareholder representative bodies during the year.

After serving as a non-executive director for 15 years and chairman of the group's audit committees for eight years, I have advised my fellow board members that it is my intention not to seek re-election to the board with effect from 8 August 2013, the date of the group's annual general meetings, with the result that I will automatically step down as chairman of the audit committees.

In this regard David Friedland was appointed as a non-executive director of the board on 1 March 2013 and the board has resolved that David Friedland succeed me as chairman of the audit committees when I step down from that role on 8 August 2013. David retired as a senior partner of one of the major international audit firms on 28 February 2013. David has extensive audit experience of listed companies across a broad range of sectors. We have commenced the process of handover to David. I have given assurance to the board that I will make myself available for as long as David needs me to provide the necessary guidance and training. I wish David all the best in this critical role, but have no doubt that he is up to the challenge and is suitably skilled and experienced to take up the role.

Sam Abrahams
Chairman, audit committees

11 June 2013

DLC remuneration committee

The report by the acting chairman of the DLC remuneration committee, including a summary of the roles and responsibilities, is set out in the remuneration report on pages 113 to 115.

Membership and attendance

Attendance by members at remuneration committee meetings:

Members	Number of meetings held during the year	Number of meetings attended during the year
OC Dickson (acting chairperson)	13	13
GFO Alford*	13	13
PKO Crosthwaite	13	11
Sir David J Prosser	13	13

* *GFO Alford resigned from the committee with effect from 31 March 2013.*

F Titi attends all meetings as a permanent invitee. George Alford has stepped down as chairman of the DLC remuneration committee, with effect 31 March 2013, and Olivia Dickson was appointed as acting chairman in his place for a period of six months. Bradley Fried was appointed as a member of the committee effective from 3 April 2013. Although Bradley is not considered to be independent as he was employed as Investec Bank plc CEO, Bradley's knowledge and experience of the company is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders.

DLC nominations and directors' affairs committee (NOMDAC)

Introduction

This report to the board and shareholders, on how the NOMDAC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The NOMDAC has combined the duties of a nominations committee as well as that of a directors' affairs committee as required under section 64B of the South African Banks Act.

Major operating subsidiaries in the group are exempt from having their own nominations or directors' affairs committee, as the NOMDAC fulfils the duties for these companies as well.

The NOMDAC complies with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules and corporate governance principles.

The board has approved terms of reference for the NOMDAC which can be found on our website.

Role and responsibilities

The NOMDAC is responsible for, among other things:

- Identifying and nominating the approval of board candidates to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards and board committees compared with their current situations and making recommendations to the boards regarding any changes

- Reviewing the succession plan of the key positions in Investec Limited and Investec plc and all their major subsidiaries, in order to ensure that an updated management succession plan remains in place.

The committee's terms of reference are available on our website.

Membership and attendance

Attendance by current members at NOMDAC meetings during the financial year ended 31 March 2013:

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	4	4
SE Abrahams	4	4
Sir David J Prosser	4	4
KXT Socikwa*	4	4
PRS Thomas	4	4
GFO Alford**	4	3

* *KXT Socikwa is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.*

** *GFO Alford was appointed to the committee as a member on 11 September 2012.*

Summary of conclusions reached and key recommendations made to the board during the year under review

Board composition

- Reviewed the structure, size and composition of the board and subsidiary boards and the principal board committees and has carefully reviewed the balance of independent non-executives relating to executive directors
- The committee considered that it was appropriate to increase the number of independent non-executive directors on the board while ensuring that there is a sufficient number of non-executive directors with experience and knowledge of the business
- Accordingly, the committee recommended an active programme of refreshing the board
- The committee discussed the implications of Lord Davies Review (Women on Boards: March 2011)
- The board acknowledges the value to be derived from bringing together on the board individuals with a broad range of backgrounds, experience and outlook. Gender is recognised to be an important part of that diversity and currently, the board comprises three women
- While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above
- The committee has recommended to the board that going forward, non-executive appointments are made for an expected period of nine years from the date the director was first appointed.

Succession

- The appointment of David Friedland as an independent non-executive director (effective 1 March 2013) and successor to Sam Abrahams as chair of the audit committees (effective 8 August 2013) was the culmination of a process to identify an appropriate successor to the chairman of the audit committees
- The committee considered a successor to George Alford as chairman of the DLC remuneration committee
- Executive management structure and succession planning: the committee received detailed presentations from management setting out succession plans in respect of executive management.

Governance

- Impact of the new South African Companies Act of 2008, as amended, on matters relating to corporate governance
- The committee considered changes to the UK Corporate Governance Code and related governance developments including the Financial Reporting Council's guidance on board effectiveness
- The committee monitors the induction programme of new directors
- The committee ensures that the directors' ongoing training and development programme remains relevant and appropriate
- The committee considered the independent status of board members and made recommendations to the board
- The committee reviewed the expertise of the company secretaries and made recommendations to the board.

Board effectiveness

- The committee worked closely with the joint chairmen to commission an independent board effectiveness review, the outcomes of that review were considered by the committee.

Fani Titi
Chairman, DLC nominations and directors' affairs committee

11 June 2013

DLC social and ethics committee (SEC)

Introduction

This report to the board and shareholders, on how the SEC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The SEC is mandated by the board to be the social and ethics committee of

Investec plc and Investec Limited and their subsidiaries. The South African Companies Act 2008, as amended (the Act), provides that all listed public companies must establish a social and ethics committee. The Act enables the group to appoint a social and ethics committee for the holding company, which will fulfil the required functions on behalf of the subsidiary companies. Due to the required functions of the committee which are universal in nature, the board resolved to constitute the committee to monitor the activities for the group and not just Investec Limited.

Role and responsibilities

The DLC SEC is responsible to monitor the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Monitoring Investec Limited and its subsidiaries' activities, with regard to matters relating to:
  - The Employment Equity Act
  - The Broad-Based Black Economic Empowerment Act
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed.

The committee's terms of reference are available on our website.

Transformation

- The committee monitors Investec Limited's empowerment rating and discusses with management how to improve the rating.

Sustainability

- The committee receives regular, detailed reports on all matters relating to sustainability
- The committee monitors the group's initiatives to reduce the carbon footprint.

Conservation

- The committee receives presentations about the group's initiatives around conservation.

Fani Titi
Chairman, DLC social and ethics committee

11 June 2013

Membership and attendance

Attendance by current members at SEC meetings during the financial year ended 31 March 2013:

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	4	4
S Koseff	4	4
B Kantor	4	3
CA Carolus	4	4
PRS Thomas	4	4

Summary of monitoring activities during the year under review

Employment equity

- The committee monitored the process of preparing and submitting Investec Limited's Employment Equity Plan
- The committee engages with the management of Human Resources to discuss challenges around matters such as diversity and employment equity targets
- The committee engages with members of the employment equity forum
- The committee receives regular reports from human resources to measure progress against employment equity targets
- The committee received a presentation on the developments under the UK Corporate Governance Code regarding diversity.

Skills development

- The committee monitors the various learning and leadership programmes on offer by the group
- The committee monitors the group's spend on skills development and discusses initiatives with Human Resources in this regard.

Corporate social investment (CSI)

- The committee receives regular reports on the group's CSI initiatives and the CSI strategy and spend.

DLC board risk and capital committee (BRCC)

Introduction

This report to the board and shareholders, on how the BRCC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The BRCC is the appointed board committee to meet the requirements of the UK and SA regulators for the board of directors of a bank.

The purpose of the BRCC is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risk and the extent of such risks which the group on consolidated basis, and its banks on a solo basis, should undertake.

Role and responsibilities

The committee will ensure that:

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board

- Exposure limits for market, counterparty and credit risk are ratified; liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the basis of measuring risk
- There is sufficient capital in relation to existing and potential risks to the organisation.

The BRCC defines the processes by which internal financial control, risk and capital management are assumed and monitored. The Group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the board and the BRCC. These include the DLC capital committee, ERRF, asset and liability committees, group credit committees, group market risk forum, group deal forum, operational risk committees/forums and group legal risk forum.

The committee's terms of reference are available on our website.

Membership and attendance

Attendance by current members at BRCC meetings during the financial year ended 31 March 2013

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (chairman)	6	6
B Kantor (managing director)	6	5
GR Burger (group risk and finance director	6	6
Non-executive directors		
Sir David J Prosser	6	6
F Titi	6	5
SE Abrahams	6	6
GFO Alford	6	4
B Fried	6	5
D Friedland*	6	1
H Fukuda OBE	6	6
MP Malungani	6	3
KXT Socikwa**	6	3
PRS Thomas	6	5

* *D Friedland was appointed to the committee on appointment to the boards on 1 March 2013*

** *Karl Socikwa is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interests on this committee.*

^ *IR Kantor was appointed to the BRCC and GFO Alford stepped down from the BRCC with effect from 1 April 2013.*

Additional meetings are held throughout the year when necessary.

Material incidents and losses and significant breaches of systems and controls are reported to the BRCC as well as the audit committees.

For more information on the group's risk management processes, please refer to volume two.

Executive risk review forum (ERRF)

The ERRF is mandated by the BRCC to be the ERRF of Investec plc and Investec Limited and their subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the ERRF is to supplement the BRCC. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

Role and responsibilities

The ERRF:

- Evaluates the most significant risks Investec faces in the ordinary course of business
- Reviews the risk models (including, but not limited to, credit models) which need to be incorporated appropriately into the allocation of capital
- Ensures that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Acts as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensures the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provides regular reports to the board focusing on effectiveness of the control framework
- Provides regular reports on group-wide adherence to regulatory requirements and advises on how changes to regulatory requirements will affect us
- Ensures that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream.

Meetings take place every Monday except on the BRCC dates.

DLC capital committee

The DLC capital committee is mandated by the BRCC to be the capital committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring, performance measurement, investment decisions and capital based incentivisation.

Role and responsibilities

The DLC capital committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel III and other regulatory requirements and their impacts on regulatory capital requirements
- Reviewing the risk models which need to be incorporated appropriately into the allocation of capital
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the BRCC.

Meetings take place at least quarterly.

Stephen Koseff
Chairman: Board risk and capital committee, Executive risk review forum, DLC capital committee

11 June 2013

Risk management

The board is responsible for the total process of risk management and the systems of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses. The independent group risk management functions, accountable to the board, are responsible for establishing, reviewing and monitoring the process of risk management. Group Risk Management reports regularly to the BRCC and the ERRF.

Risk management is discussed in more detail in volume two.

Internal audit

Each significant jurisdiction has an internal audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk-based audit approach is followed and the audit committee approves annual audit plans.

Heads of internal audit report to the chairmen of the relevant audit committees and to the head of corporate governance and compliance.

For further details on the internal audit function, see page 98 in volume two.

External audit

Investec's external auditors are Ernst & Young LLP and Ernst & Young Inc., at a DLC level. Ernst & Young Inc. and KPMG Inc. are joint auditors of the Investec Limited silo and Ernst & Young LLP are the auditors of the Investec plc silo. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as Directive 6/2008 of the South African Banks Act, were adhered to during the year under review.

Non-audit services are dealt with in terms of an agreed policy which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

Total audit fees paid to all auditors for the year ended were £15.1 million (2012: £13.1 million), of which £3.0 million (2012: £3.0 million) related to the provision of non-audit services.

For further details on non-audit services see note 6 on page 44 in volume three.

Compliance

The compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The compliance function is supported by Group Compliance and compliance officers in the business units.

For further details on the compliance function, see pages 99 and 100 in volume two.

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK Prudential Regulation Authority and the Financial Conduct Authority, the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), and the Australian Prudential Regulatory Authority (APRA). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. SARB is the supervisor of Investec Limited, while the UK regulators supervise Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy that has been in operation for a number of years. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry good practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UK's disclosure and transparency rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their 'connected persons'. These include directors and senior executives of the group.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics, and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our organisation development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the Human Resources practices' manual, available on the intranet.

Approved and authorised for issue by the board of directors on 11 June 2013 and signed on its behalf by:

David Miller Company secretary Investec plc	Benita Coetsee Company secretary Investec Limited

Directorate Investec plc and Investec Limited

Executive directors

(details as at the date of this report)

Stephen Koseff (61)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Investec committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in October 1986

Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.

Current directorships: The Bidvest Group Limited and a number of Investec subsidiaries.

Bernard Kantor (63)

Managing director
CTA

Investec committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in June 1987

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the Trading division, marketing manager and chief operating officer.

Current directorships: Phumelela Gaming and Leisure Limited and a number of Investec subsidiaries.

Glynn R Burger (56)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Investec committees: DLC board risk and capital, DLC capital and global credit

Appointed to the board in July 2002

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Current directorships: Investec Bank Limited and a number of Investec subsidiaries.

Hendrik du Toit (51)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Current directorships: Investment Management Association, Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details as at the date of this report)

Sir David J Prosser* (69)

Joint chairman
BSc (Hons), FIA

Investec committees: DLC remuneration, DLC nominations and directors' affairs and DLC board risk and capital

Appointed to the board in March 2006

Sir David was previously chief executive of Legal & General Group PLC, joining Legal and General in 1988 as group director (investments) becoming deputy chief executive in January 1991 and group chief executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.

Current directorships: Investec Bank plc (chairman), Pippbrook Limited, Epsom Downs Racecourse Limited and The Royal Automobile Club Limited.

Fani Titi* (50)

Joint chairman
BSc (Hons), MA, MBA

Investec committees: DLC board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Appointed to the board in January 2004

Fani is chairman of Investec Bank Limited and former chairman of Tiso Group Limited.

Current directorships: Investec Bank Limited (Chairman), Tsiya Group (Pty) Ltd and a number of its investee companies, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Kumba Iron Ore Limited (chairman), MTN Group Limited

Samuel E Abrahams (74)

FCA, CA(SA)

Investec committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC nominations and directors' affairs, DLC board risk and capital and DLC capital and global credit

Appointed to the board in October 1996

Sam is a former international partner and South African managing partner of Arthur Andersen.

Current directorships: Investec Bank Limited, The Foschini Group Limited and a number of Investec subsidiaries.

George FO Alford (64)

Senior independent director
BSc (Econ), FCIS, FIPD, MSI

Investec committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC nominations and directors' affairs

Appointed to the board in June 2002

George is a former head of private banking and personnel at Kleinwort Benson Group and was a senior adviser to the UK Financial Services Authority. He is former chairman and now director on the Advisory Board of London Metropolitan Business School and chair of the Foundation Trust Financing Facility of the Department of Health

Current directorships: Investec Bank plc

Cheryl A Carolus (54)

BA (Law), BEd, Honorary doctorate in Law

Investec committees: DLC social and ethics

Appointed to the board in March 2005

Cheryl acted as the South African high commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Current directorships: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, executive chairperson of Peotona Group Holdings (Pty) Ltd and director of a number of the Peotona group companies.

* *Joint chairmen with effect from 17 November 2011.*

Directorate Investec plc and Investec Limited (continued)

Perry KO Crosthwaite (64)
MA (Hons) in modern languages

Investec committees: DLC remuneration

Appointed to the board in June 2010

Perry is a former chairman of Investec Investment Banking Securities Limited and director of Investec Bank plc.

Current directorships: Investec Bank plc, Jupiter Green Investment Trust, Melrose plc, Neontar Limited, Investec Securities Holdings Ireland Limited and Investec Capital and Investments (Ireland) Limited.

Olivia C Dickson (52)
MA (Oxon), MSc (Lon), CDipAF

Investec committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC remuneration

Appointed to the board in March 2011

Olivia is a non-executive director and chair of the risk committee of Canada Life Limited. She is also a non-executive director, member of the codes and standards committee and chair of the Actuarial Council of the Financial Reporting Council, and a member of the Financial Services Authority's regulatory decisions committee.

Olivia was previously, among other positions, Senior Adviser to the Financial Services Authority, a managing director of JP Morgan and a non-executive director and chair of the audit committee of the London International Financial Futures Exchange.

Current directorships: Canada Life Limited, Canada Life Group (UK) Limited, Canada Life Asset Management Limited, Invista Real Estate Investment Management Holdings plc, Invista Real Estate Investment Management Limited.

Bradley Fried (47)
BCom, CA(SA), MBA

Investec committees: DLC board risk and capital

Appointed to the board in April 2010

Bradley joined Investec in 1999 and has held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is the chief executive in residence at Judge business school.

Current directorships: Investec Wealth & Investment Limited, Grovepoint Capital LLP and non-executive director of the Court of Bank of England.

David Friedland (59)
BCom, CA(SA)

Investec committees: Investec Limited group audit, DLC audit, Investec plc audit, DLC board risk and capital, DLC capital, DLC remuneration and global credit

Appointed to the board in March 2013

David is a former partner of both Arthur Andersen and KPMG where he also served as Head of Audit and Risk in KPMG, Cape Town Office.

Current directorships: Investec Bank Limited and Investec Bank plc.

Haruko Fukuda OBE (66)
MA (Cantab), DSc

Investec committees: DLC board risk and capital

Appointed to the board in July 2003

Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europ plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Current directorships: Director of Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG.

Ian R Kantor (66)
BSc (Eng), MBA

Appointed to the board in July 1980

Current directorships: Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Investec Bank plc, Bank Insinger de Beaufort NV where he is chairman of the management board.

M Peter Malungani (55)
BCom, MAP, LDP

Investec committees: DLC board risk and capital

Appointed to the board in June 2002

Peter is chairman and founder of Peu Group (Pty) Ltd, chairman of the deals and acquisitions committee and a member of the social and ethics committee of Pretoria Portland Cement Limited

Current directorships: Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Ltd, Pretoria Portland Cement Ltd, Peu Group (Pty) Ltd and a number of Peu subsidiaries.

Peter RS Thomas (68)
CA(SA)

Investec committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and global credit
Appointed to the board in June 1981

Peter was the former managing director of The Unisec Group Limited.

Current directorships: Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies.

Details of the Investec committees can be found on pages 89 to 97.

Details of the board members of our major subsidiaries are available on our website.

Building trust and credibility among our stakeholders is vital to good business

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the UK Regulators and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations, for example Australia.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial division, ensures that we meet our public disclosure obligations.

We have a board approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

Employees

- Communication policy
- Quarterly magazine (Impact)
- Comprehensive intranet site
- Staff updates hosted by executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder road shows and presentations
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Investor days
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored client presentations
- Annual and Interim reports

Suppliers

- Centralised negotiation process

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored presentations
- Annual and interim reports

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Investor days
- Annual and interim reports

Sustainable business practices…

Our sustainability philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate.

We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

Sustainability at Investec is about:

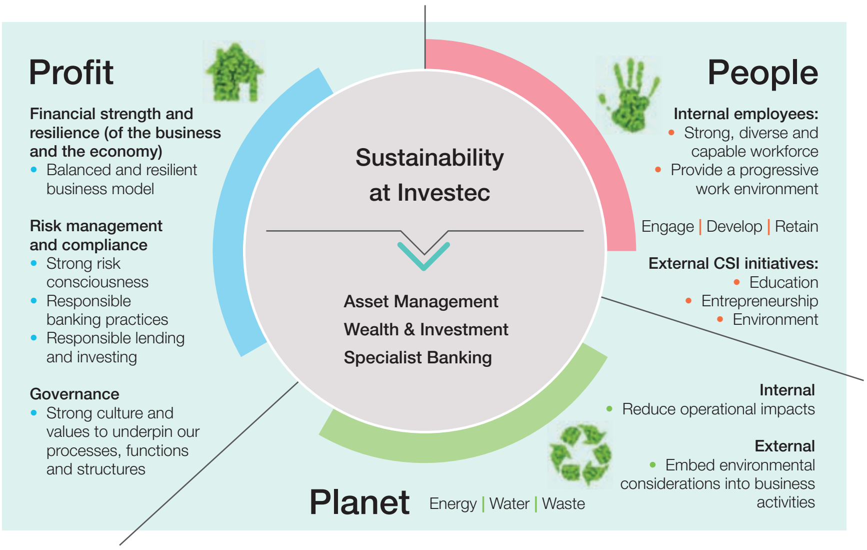
- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients' and stakeholders' wealth based on strong relationships of trust.

Just as relevant as our business accomplishments is the manner in which we conduct ourselves in attaining them. Our sustainability goals reflect our culture of continuous advancement and reaffirm our belief that sustainability in its broadest sense is about managing and positioning the group for the long term. Investec's sustainability philosophy is based on the recognition that we are a specialist bank and asset manager driven by our commitment to our culture and values.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive, nor exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the principal drivers behind our activities, in a manner that best makes sense to each.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet.



During the period under review, a variety of engagements took place across the group on sustainability issues including presentations on climate change issues, changes in local environmental laws and discussions around materiality. A sustainability management system was designed and implemented to ensure consistent, comprehensive carbon information is captured. We are now in a position to start setting measurable targets.

Investec maintained its inclusion in the JSE SRI Index, the FTSE4Good Index, the Dow Jones Sustainability Index and the Carbon Disclosure Project.

Responsibility

The social and ethics committee is responsible for monitoring the non-profit elements of sustainability, see pages 94 and 95.

The mandate of this committee places a strong emphasis on the responsibility of the group towards the communities in which we operate, on social transformation in the workplace, and on preserving the well-being and dignity of our employees.

We also have sustainability representatives in each of the major geographies in which we operate who drive our sustainability objectives as well as various forums discussing sustainability considerations. Feedback on relevant sustainability issues is provided to board members at each board meeting.

Reporting

Our approach to sustainability is documented throughout this integrated report with further detail available in a more detailed sustainability report on our website. In line with our view on integrated reporting and reducing paper consumption, printed copies of the detailed sustainability report have been limited.

The online version is available on our website.

Our approach to reporting has followed guidance from the King Code which recommends that a company integrates financial and non-financial reporting detailing how economic, social and environmental issues have influenced business strategy. We have been assisted in this regard by the Global Reporting Initiative's (GRI) G3.1 sustainability reporting guidelines and an index of these indicators together with our response to each of them can be found in our separate sustainability report. We have self-assessed our reporting to be application level B.

Certain elements of the sustainability information in this report have been verified by the group Internal Audit division.

Internal audit

Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 102 to 111 of this report.

The scope of our work was agreed with management and based on the result thereof, nothing has come to our attention to indicate that:

- The qualitative sustainability information is not a fair statement of Investec's corporate responsibility initiatives
- The quantitative sustainability information is significantly misstated.

External audit

Grant Thornton performed a review of the carbon footprint table on page 109.

The summarised environmental information, as set out in the sustainability reviews of this annual report, has been extracted from the 2013 sustainability report. Grant Thornton has provided assurance over selected environmental information as contained in the 2013 sustainability report in which we express that based on the work we performed, nothing has come to our attention that causes us to believe that the selected environmental information for the year ended 31 March 2013, has not been fairly stated.

For a better understanding of the group's environmental performance, as well as the scope of our assurance process, the extracted environmental information in this report should be read in conjunction with the full 2013 sustainability report containing our assurance statement.

Employee report

Investec employees remain critical to continued business success and to overall sustainability efforts. The expertise and dedication of staff is fundamental in meeting clients' needs and delivering distinctive results. It is therefore vital that we engage, develop and retain a high-value workforce. One of the group's values is to ensure open and honest communication and hence we encourage active and open dialogue between staff and senior management. As a responsible employer, Investec aims to offer staff a stimulating and progressive working environment in which they can flourish and realise their true potential.

Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD) which serve to supplement the ongoing people focus of our individual business units. The HR teams are mandated to attract, develop and retain talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

Number of employees

For the year ended 31 March By division – permanent employees	2013	2012
Asset Management		
UK and Other	383	359
Southern Africa	778	728
Total	1 161	1 087
Wealth & Investment		
UK and Other	973	1 021
Southern Africa	272	239
Total	1 245	1 260
Specialist Banking		
UK and Other	1 982	1 821
Southern Africa	2 698	2 694
Australia	470	407
USA	19	17
Total	5 169	4 939
Total number of permanent employees	7 575	7 286

In assuming responsibility for our human capital we seek to promote sustainability through:

1
Competitive remuneration and reward, and advice for each employee

2
Specialised learning programmes for young talent

3
Measures to ensure the health and well-being of employees

4
Managing performance through regular reviews, learning and development

5
Succession planning and business continuity

6
Resourcing and recruiting that takes into account a diverse workforce

7
Facilitating an understanding of HR policies and procedures, to allow for guidance and opportunity among staff

The HR division participates in local and international forums, to ensure ongoing development of HR best practice in the group and the alignment of HR strategy with business strategy. As our operating jurisdictions have different legal and regulatory requirements, our various HR functions operate independently of one another, while at all times adhering to the group philosophical approach.

Employee strategy

The core areas of emphasis regarding our people strategy are:

To attract, retain and motivate the right people who can perform extraordinarily

We invest significantly in a number of opportunities for developing and training employees and in leadership programmes to develop current and future leaders of the group. Our Learning and Development Centre plays a critical role in the development of our employees as well as assisting the business areas to achieve their learning objectives. Such learning objectives are always aligned to the business strategy and market trends. The Centre is also involved in group-wide activities such as an induction programme for new employees, providing learning advice to individual employees and facilitating the development of generic programmes in the fields of IT, banking

Group training spend

For the year ended 31 March	2013 £	2012 £
Divisions		
South Africa		
Specialist Banking	6 655 846	6 475 498
Asset Management	532 584	803 767
Wealth & Investment	499 852	1 214 127
Total	7 688 282	8 493 392
UK and Other		
Specialist Banking	3 009 451	3 297 067
Asset Management	528 868	562 345
Wealth & Investment	508 744	467 050
Total	4 047 063	4 326 462
Mauritius	17 934	10 548
Australia	319 084	185 808
Total group spend on training	12 072 363	13 016 210

and finance, compliance, e-learning, talent retention and mentoring.

To retain and motivate staff through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution. Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth. As at 31 March 2013, management and staff held an effective interest in the group of approximately 10%.

Further information is provided on pages 113 to 136.

To ensure that performance management is effectively and constructively practised

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between manager, employee and team, to help individuals identify and address their development needs.

Working at Investec

The policies and business practices of Investec are outlined in BAWI (Becoming Acquainted with Investec) and in the compliance handbook. They are intended to guide our conduct and ensure that at all times our actions and attitude reflect the group's values and philosophies.

These policies and business practices can be found on our website, including more details on the following:

Promoting equity and diversity in the workplace

Our promotion of equal opportunity and workplace diversity is not merely a social responsibility, but a means of ensuring that we foster a culture of diversity in the belief that this brings business advantage. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures. Emerging and established leaders are invited to participate in talent discussions with executive management around all issues related to talent management. In addition, our Zebra Crossing initiative, which is aligned to our employment equity plan, aims to raise levels of multicultural awareness of staff at Investec and enable them to appreciate and celebrate the richness of our diverse population and to take these insights back into the business.

Transformation

In South Africa, Investec remains committed to black economic empowerment. Our approach involves:

- Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
- Serving as a leading source of empowerment financing
- Encouraging internal transformation by bringing about greater representivity in our workplace. In this regard, we are focusing on creating black entrepreneurs within the organisation.

During the year we completed our third Department of Trade and Industry BEE verification according to the generic codes and received a level 4 rating status by Empowerdex. We are committed to achieving and sustaining an equitable workplace that encourages and manages diversity. Meaningful engagement and consultation took place with employees across the group as part of a process to develop a new employment equity plan. In this regard, two studies relating to employment equity and diversity were conducted during 2012 and a new employment equity plan was submitted to the Department of Labour.

Recognising that enterprise development is vital to South Africa's transformation aspirations, we launched an Enterprise Development programme in partnership with Raizcorp to back 12 entrepreneurs who are managing their own business and have potential to grow and create jobs.

Further information on the employment equity statistics of our South African business is available on our website.

Health and safety

A group-wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. It is overseen by a health and safety committee that meets quarterly to review health and safety concerns. In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

To enable and develop employee health and wellbeing, Investec provides employees with a bespoke Employee Assistance and Wellbeing Programme. The comprehensive and integrated Health and Wellbeing Programme, which expresses our focus of care and concern for the wellbeing of employees, provides personalised wellness interventions offered in face-to-face counselling and coaching. The wellness interventions are provided by a multidisciplinary team of select health professionals who are all specialists in their fields of practice. Investec values the physical and psychological health, welfare and safety of our people. Our offices also host wellness days for staff to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.

Retrenchment policy

Where it becomes necessary for Investec to terminate employment based on operational requirements, the procedure to be followed will be in accordance with local regulatory requirements. We conduct consultation as prescribed by local legislation during which we attempt to find a suitable alternative position for the affected employee.

Freedom of association

We fully support employees' right to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. We do however uphold the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of their choice.

Human rights

We support and respect the protection of internationally proclaimed human rights and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group as this would fall within the ambit of our Code of Conduct but we do adhere to the relevant laws in all our jurisdictions. Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times, do not practise forced or compulsory labour and do not employ children.

Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns for example, OD, HR, Employee Relations and our independent external consultants.

There has been no recorded incidence of discrimination in any of our businesses.

Whistle blowing policy and protected disclosures

One of Investec's values requires employees to 'conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust'. Integrity and confidence are critical to our reputation and sustainability. The purpose of our whistle blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.

To review the full details on employees and our policies relating to business practices, please refer to the separate sustainability report on our website.

Corporate social investment report

Our approach to corporate social investment (CSI) has historically placed strong emphasis on education and entrepreneurship, while also supporting other causes, albeit more passively. We believe this to be the most effective way to create opportunities for employment, wealth creation and stimulating socio-economic growth.

In keeping with our business model of independent, highly autonomous business units, supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed

Permanent headcount by geography

Group CSI spend

	2013		2012	
For the year ended 31 March	£	R	£	R
South Africa				
Specialist Banking	147 031	1 976 467	90 955	1 077 812
Asset Management	210 898	2 834 997	140 744	1 667 816
Wealth & Investment	45 855	616 408	50 034	592 905
Group Corporate Social Investment*	2 467 879	33 174 430	2 596 811	30 772 215
Total	2 871 663	38 602 302	2 878 544	34 110 748
UK and Europe				
Specialist Banking	139 144	1 870 442	133 366	1 580 387
Asset Management	689 861	9 273 445	137 937	1 634 554
Wealth & Investment	9 524	128 024	48 256	571 833
Group Corporate Social Investment*	887 128	11 925 208	1 070 674	12 687 487
Total	1 725 657	23 197 119	1 390 233	16 474 261
Mauritius	75 241	1 011 420	66 595	789 152
Australia				
Specialist Banking	178 917	2 409 675	131 712	1 560 785
Group Corporate Social Investment*	47 681	642 170	54 796	649 333
Total	226 598	3 051 845	186 508	2 210 118
Total group CSI spend	4 899 159	65 862 686	4 521 880	53 584 279
Total group CSI spend as a % of operating profit**	1.13%		1.26%	

* *Group Corporate Social Investment includes spend by the CSI division as well as central services spend.*

** *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

appropriate to their circumstances and where they are in the evolution of their business.

UK and Other

The corporate social investment programme plays a key role in the fulfilment of Investec's core values, focusing on making an unselfish contribution to society. We champion sustainable social investment by:

- Building dedicated charitable partnerships
- Engaging all Investec people in making a positive difference
- Harnessing our diverse resources and collective talent.

Our social investment programme in the UK is focused on the areas of education, entrepreneurship and environment; sectors identified by staff as best aligned with Investec's core values. Our approach encompasses the principal elements of facilitating employee volunteering with our charitable partners, and making other charitable donations to small local charities that fit within the education, entrepreneurship and environment sectors. We also encourage and facilitate employee giving by providing a Give As You Earn facility and matching funds raised by our employees.

Highlights during the period

- Investec was Highly Commended in the Community Impact category at the national Business Charity Awards, for our work with Arrival Education, a social enterprise that designs and delivers programmes to young people from challenging backgrounds, to develop them into adults capable of high levels of success
- In partnership with Arrival Education, we run a fortnightly success skills workshop as well as a mentoring programme which has supports 81 students
- Investec has been the principal supporter of the Beyond Business programme with the Bromley by Bow Centre for the last two years. Since Investec became the lead supporter in 2011 we have incubated eight new east London social enterprises, six of which were launched towards the end of 2012, creating a total of 22 jobs
- We increased our support of Morpeth School's Outward Bound programme to enable the school to target student groups who would especially benefit from the programme, such as those with autism and students with behavioural problems
- Investec staff gave £163 762 (2012: £128 497) to various charities in the last financial year directly from their salary through the Give As You Earn scheme
- 35 runners participated in the 2012 London Marathon and raised £113 160 (2012: £97 000) for a variety of charities
- The Guernsey office won the Corporate & Social Responsibility Award at Guernsey Community Foundation's Community Awards 2012, for its strong partnership with local primary school Amherst, where Investec volunteers are very involved with numeracy and literacy programmes.

Southern Africa

Aligned with the group approach, our CSI endeavours focus on education and entrepreneurship. Wherever possible, we seek to collaborate with partners so as to leverage resources and expertise and help ensure enduring impact and long-term sustainability for our projects. In all cases, we look to clear indications that projects are enduring, sustainable and replicable (where appropriate) and are guided by strategic intent, rather than philanthropic well-meaning.

In the context of the sheer number of socio-economic needs in the South African context, however, we have had to recognise that we cannot be all things to all people in respect of our available resources. Our CSI strategy is to focus on a more clearly defined pipeline of educational and entrepreneurial projects. The strategy is aimed at facilitating the empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace.

Highlights during the period

In line with our strategy, a total of 88% of South Africa's CSI spend was allocated to education and entrepreneurial initiatives

- Promaths, which is a partnership between Investec and Kutlwanong Centre for Maths, Science and Technology, offers extra maths and science lessons to grade 10, 11 and 12 learners. The main aim is to improve learners' performance in maths, hence facilitating entrance into tertiary learning institutions. The results for our 2012 learners were extremely encouraging.

  As their pivotal founding partner, Investec continues to cover around 55% (2012: 40%) of Kutlwanong Centre's operational costs contributing to the achievement of 947 (2012: 752) decent passes (>50%) in maths and 850 (2012: 702) decent passes nationwide
- Investec staff donated a total of R352 220 (2012: R136 475) to various charities through the Touch by Giving initiative during the year. Touch by Giving offers Investec staff a simple way to make a monthly donation, directly from their salaries, to a pre-selected charity
- The Cradle Project, a group of Investec employees who give their time and resources to improving the lives of those less fortunate in our surrounding communities, allocated R508 999 (2012: R734 550) to a variety of worthy causes
- A total of 93 (2012: 83) employees are currently mentoring high school or university students providing guidance and support through their educational journey
- During the financial year, 380 (2012: 347) high school learners participated in an eight month long Investec funded programme focusing on entrepreneurship, financial literacy and workplace readiness, as well as micro-economics and business ethics.

Investec Bank Mauritius has a CSI strategy to focus on projects and initiatives in education, environment and sports development. The office contributed £75 241 (2012: £66 595) to a number of corporate social investment projects during the financial year.

Australia

The Investec Foundation in Australia embodies our philanthropic commitment to the Australian community. This commitment is illustrated primarily through supporting meaningful health, welfare and educational programmes, while remaining focused on preserving the local environment and managing our environmental footprint.

To create a positive social impact the Investec Foundation focuses on a small number of sustained philanthropic giving and volunteering efforts. We partner with local, entrepreneurial organisations which perform remarkable work in these fields.

Highlights during the period

The Australian office contributed A$347 600 to a number of corporate social investment projects:

- Over 230 Investec employees (42%) participated in the bank's first Australia-wide volunteering day, ICARE
- The Outback Oral Treatment and Health (TOOTH) programme which was launched at the beginning of the financial year in partnership with Australia's Royal Flying Doctor Service, provided free and comprehensive dental care to over 1 600 patients in total in the last year, consisting of 931 adult patients and 679 children. This has included Indigenous Australians, who represented 49% of all adult patients in the last year
- Our staff donated A$76 996 (2012: A$93 937) to charities of their choice which was matched by Investec
- Investec staff participated in eight Australian Business Community Network (ABCN) programmes focused on mentoring and coaching
- Investec supports a scholarship programme for Indigenous Australians studying at the University of New South Wales. The aim of the programme is to increase the number of Aboriginal health professionals working in indigenous communities and thereby help improve their communities' health outcomes.

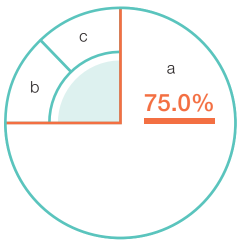
Promaths programme in South Africa

Promaths started off with one centre and 15 learners in 2005. Between 2005 and 2012 it has grown to approximately 15 centres across South Africa with 2 500 learners.

Number of distinctions in each academic year:

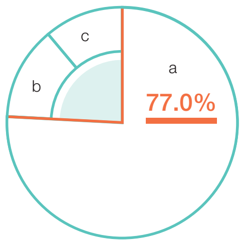
2005	3
2006	6
2007	8
2008	84
2009	120
2010	162
2011	169
2012	272

Breakdown of spend by the CSI division in South Africa



31 March 2013

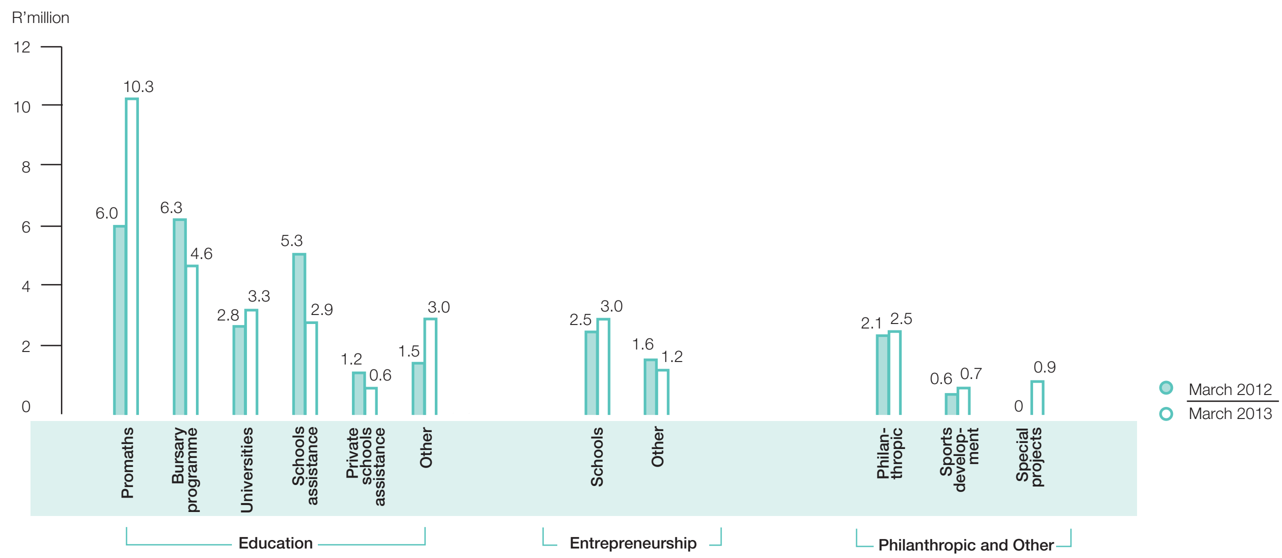
a	Education	75%
b	Entrepreneurship	13%
c	Philanthropic and Other	12%



31 March 2012

a	Education	77%
b	Entrepreneurship	14%
c	Philanthropic and Other	9%

Breakdown of spend by the CSI division in South Africa



Environmental report

As a niched, specialist, knowledge-based financial services organisation with a limited physical presence, the direct environmental and social impacts of Investec's daily operations are limited. However, in promoting sustainability as part of Investec's core strategy, we believe there needs to be a balance between economic and financial imperatives, the needs of society and their combined impact on the environment.

Our internal environmental strategy is focused on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities. Investec recognises that effective environmental management is an essential part of embedding this philosophy into the organisation. We are committed to operating an effective environmental management system compliant with King III in South Africa and ISO14001:2004 in the UK. During the period under review, we continued to focus on our direct operational impacts by influencing internal behaviour and several campaigns were held over the past year to raise staff awareness across the group around a variety of water, waste and energy issues. Furthermore, the Gresham Street waste management programme won a Platinum Award in the Clean City Awards Scheme 2012 for the seventh consecutive year. They were also awarded the ISO14001 certification and the Energy Reduction Verification Kitemark.

Externally, we focus on incorporating environmental considerations into our daily operations. We recognise the significant opportunities for our clients and our various businesses in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing. During the period under review, Investec Corporate and Institutional Banking (ICIB) in South Africa approved the financing of R3.2 billion renewable energy projects. ICIB also funded R105 million for South Africa's first co-generation power plant which uses waste heat from hot water received from a smelter and evaporates it into a gas to drive an expansion turbine.

Please see the online sustainability report for more details on our green business deals and opportunity.

Our environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

We believe that as a bank, and given our positioning in the first world and emerging world, we can make a meaningful impact in addressing climate change.

Carbon footprint for the group

For the year ended 31 March CO_2 metric tonnes	2013	2012
Scope 1	2 261	1 174
Southern Africa	1 476	740
UK and Other	785	434
Australia*	n/a	n/a
Scope 2	39 183	40 698
Southern Africa	31 561	31 801
UK and Other	6 609	6 539
Australia	1 013	2 358
Scope 3	12 296	13 858
Southern Africa	4 654	5 692
UK and Other	7 589	8 001
Australia	53	165
Total emissions	53 740	55 730
Emissions per average employee	6.62	8.18
Emissions per m² office space	0.36	0.44

* *No scope 1 emissions recorded for Australia.*

Note: *2012 restatements – Southern Africa restated to include Mauritius; UK restated to reflect more accurate measurements; Headcount restated for average total employees (including temporary employees and contractors).*

Investec managed to reduce carbon emissions per average employee by 19% in the 2013 financial year as a result of a number of initiatives. The increased use of video conferencing reduced the amount of road and air travel by employees. Paper consumption decreased as a result of greater awareness around wastage, increased iPad usage and the introduction of swipe-to-print facilities. The increase in scope 1 for South Africa and UK relates to refrigerant that was not reported on in the prior year. The UK managed to keep total emissions relatively flat despite the total office space reported on increasing by 54% in the current financial year as a result of the acquisitions made and increasing our emissions coverage.

Highlights for the UK Gresham Street Head Office

- The electricity and natural gas usage is 100% covered by smart meters and we continue to exceed the energy reduction targets set for this office: based on the financial year 2009, a reduction of 15% in 2012 and 34% in 2020
  - The formalised energy management system gained ISO14001 certification and received the Energy Reduction Verification Kitemark
  - Third amongst the financial institutions in the Carbon Reduction Commitment Energy Efficiency Scheme league table for the second consecutive year
- We recycled 76% of office waste including food waste which is turned into bio-fuel and bio-fertiliser
  - First in the Sustainable City Awards in the Responsible Waste Management category in recognition of outstanding efforts in waste minimisation
  - Second in the City of London's Clean City Awards Scheme recognising businesses that operate well-managed waste minimisation programmes that include staff engagement
- We bottled 25 800 one litre bottles of water this year using both de-ionisation and reverse osmosis to create pure drinking water from our main water supply. Many of our other UK offices use zip-taps to fill water jugs rather than purchase in pre-bottled water for clients
- Team Green focused on improving local air quality and staff health by running our Step into Health campaign which encouraged people to opt to walk rather than drive/be driven around the City, and to take the stairs rather than the lifts while in the office.

Highlights for Southern Africa

- Investec Limited was included in the Carbon Disclosure Project for South Africa for 2012
- Investec Limited was included in the Dow Jones Sustainability Index; only five South African companies were included in the index for 2012
- We held a number of staff awareness campaigns during the year on topics such as water awareness and Earth Hour. On World Environment Day in May 2012, we turned off the escalators in each of our main offices for the entire day, encouraging staff to use the stairs. We also turned off all the televisions to highlight energy savings and the money saved from these two actions was used to donate solar lamps to charities through Touch by Giving
- The Project and Infrastructure team continues to play an active role in the renewable energy sector and, during the course of the year, they supported a number of transactions both as lender and equity investor in the country's renewable energy programme. The team takes consideration of the environmental impact of these types of transactions and has partnered with BirdLife South Africa to fund research on the environmental impact of renewable energy such as wind energy facilities on the local birdlife in South Africa. This research will make a valuable contribution to mitigate the potential impacts of renewable energy developments on South Africa's birds and covers energy developments relating to wind, solar and nuclear sites
- Recognising the intensity of the rhino issue in Southern Africa, we partnered with Dr Will Fowlds during the period to launch Investec Rhino Lifeline with the aim of raising awareness of the rhino crisis and responding through education, rescue and prevention initiatives
- Investec Property pledged support for the Endangered Wildlife Trust's (EWT) Corporates 4 Conservation by becoming a platinum sponsor. In addition to this, we also committed to supporting the EWT Carnivore Conservation Programme's research and monitoring of the endangered African wild dogs in the Kruger National Park
- The group is supporting an environmental project in Mauritius to aid local farmers with nutritional farming. The objective of the project is to restore and improve soil health and fertility and hence optimise plant nutrition, while reducing the farmer's dependence on soil fertility-destroying and environment-polluting conventional agrochemicals.

Highlights for Australia

- We are continuing to decrease the number of personal computers used and now have over 87% of employees on a virtual system. Each virtual system uses only 6W of power compared to 96W for a PC. As this equipment is left on 24/7 for maintenance reasons, this means that each virtual system saves us a potential 788kWh per annum (of which we are currently saving 364MWh per annum)
- We continue to retool lights using compact fluorescent and LED technologies, reducing the wastage of power and raw materials
- Our new Sydney head office uses sensors to activate lights in meeting rooms. The open plan office and interconnecting staircase provide improved staff health and a reduction in the use of electric lifts
- Throughout the year, we introduced print management and 'swipe-to-print'.

Information technology (IT)

Our vision is to deliver an efficient and effective IT platform that serves the needs of the business to deliver excellent client service.

Key infrastructure-related developments during the period include:

- Through leveraging global teams and a consistent approach, we have seen an increase in efficiency and the ability to respond in a timely manner to challenges and opportunities
- The migration of the backup environment from tape to disk has mitigated backup and recovery risks of the old tape system while eliminating the cost of consumables, offsite storage and transport logistics
- We continue to improve efficiencies through our virtualisation strategies – a significant number of physical servers have moved to the virtual environment resulting in energy savings. Critical review and rationalisation of the physical server landscape has resulted in the de-commissioning of a large number of physical hosts

- We continue to upgrade our video conferencing environment with the majority of Investec offices now running in high definition. Telepresence is deployed in the major centres. This has changed our day-to-day collaboration experience and greatly enhanced communication between offices, effectively reducing travel needs
- The UK office is expanding its footprint of 'thin' desktops to more users and therefore continuing to reduce total energy consumption for the desktop environment. In South Africa, the deployment of thin clients is gaining momentum
- A managed print service, similar to the solution deployed in South Africa, is being implemented in the UK region to reduce print wastage
- In South Africa, the migration of the business continuity environment will create an opportunity to leverage energy efficient, small footprint infrastructure
- Wherever feasible the use of 'Cloud' based infrastructure is considered and specific workloads currently utilise 'Cloud' based compare to great effect resulting in reduced physical infrastructure and energy requirements
- The deployment of a standardised enterprise content management system will, over time, result in a reduction of paper based storage
- Global utilisation of corporate mobility tools has reduced the number of mobile devices required by employees, while ensuring that staff members have secure access to email and calendaring functions.

Key business application-related developments during the period include:

- Across geographies there is a concerted effort to become a more client-centric organisation. All client facing interfaces are being reviewed and consolidated where appropriate, resulting in significant rationalisation
- The One Bank initiative continues to focus on the elimination of duplicate business processes across divisions and to deliver a more cost effective, client-focused service offering
- In the UK there is a drive to move clients into online banking, online processing and electronic statement distribution for our Private Banking, Mortgage and Asset Finance businesses
- In South Africa, there is a drive to provide clients with a consistent digital experience by creating a single view of all the client's holdings/transactions.

This convergence will lead to opportunities to leverage resources, skills and licensing at a global level and aid in the achievement of our three strategic goals to:

- Align architectural principles across all businesses and geographies
- Reduce the global business applications footprint
- Commoditise common functionality wherever commercially viable.

A sustainability reporting system (non-financial data) has been implemented. The system imports data from various sources, consolidates the information and calculates the carbon footprint, human resource and community spend. This is a global solution and covers corporate social investment, human resource data such as headcount, training and health and safety statistics as well as operational impacts including energy (electricity, gas and fuel), water, paper, waste and travel.

The lack of technical skills in South Africa remains a challenge and we have implemented an IT graduate programme in 2013. We intend to offer this on an annual basis and we will be increasing our intake in 2014. This initiative is being coordinated and aligned with Investec's corporate social investment programme.

Procurement report

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK additions have been made to our procurement policy to incorporate both green and corporate socially responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment.

In South Africa, our procurement practices seek to accord with the BEE requirements of the Department of Trade and Industry's Codes of Good Practice and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of PCs and server equipment subscribe to an electronic code of conduct which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.

Looking forward

During the 2013 financial year we started engaging with our business areas on a variety of sustainability issues. During the 2014 financial year we will be conducting an extensive stakeholder engagement process – beyond that already taken during the ordinary course of business. We intend to engage externally with a range of Investec stakeholders to determine what is important to them in terms of Investec's sustainability. Following on from this stakeholder engagement, we aim to do a comprehensive materiality exercise to ensure we are meeting stakeholder expectations, set measurable sustainability targets and determine our sustainability focus going forward.

Remuneration report

Statement from the acting chair of the board remuneration committee

Key messages

My predecessor and the joint chairmen met with shareholders last year to discuss remuneration arrangements for Investec's executive directors. Our shareholders told us that they wanted to see more transparency in remuneration arrangements at Investec and a clear link between pay and performance. Since then we have worked with our advisers and the executive directors at Investec to meet shareholders' requirements. We believe that we have developed a comprehensive and credible response to shareholders' concerns and following a period of shareholder consultation the final incentive scheme proposals and proposed long-term incentive awards will be set out in a separate shareholder circular on remuneration together with a resolution seeking shareholders' approval of a new Investec plc Executive Incentive Plan. The resolution will be considered at a general meeting to be held on 8 August 2013 following the Investec annual general meeting.

New regulation in the UK which will flow later this year from the Capital Requirements Directive IV (CRD IV) in relation to variable pay is likely to further constrain the remuneration committee's options for creating remuneration arrangements which properly balance the interests of all stakeholders. Requirements likely to follow from the Department for Business Innovation and Skills (BIS) in relation to disclosure requirements for directors' pay and new voting arrangements, including binding votes on remuneration policy, will most likely cause us to engage more with shareholders on remuneration matters. Addressing both issues, which is likely to require re-working of our remuneration arrangements for all UK Prudential Regulatory Authority (PRA) Code staff, including executive directors, and re-working of our remuneration reports, as well as re-thinking our approach to engaging with shareholders, all in the same reporting period is likely to prove challenging.

Executive director remuneration arrangements

Incentive schemes: In designing short- and long-term incentive schemes for the chief executive, managing director and group risk and finance director, we have: identified financial and non-financial performance measures which reflect the interests of all stakeholders; established weightings for the different measures which correspond with their importance to short- and long-term performance; set an overall quantum of reward which reflects our South African as well as our non-South African operations; and framed the schemes so as to get the right balance between a formulaic and a discretionary approach.

We have thought carefully about the effect of our incentives on motivation and behaviours not only for Investec's current senior management but also for the next generation. We are proposing to move to a more prescriptive and formulaic basis for determining variable remuneration, closely linking remuneration with performance, albeit with a significant element of overarching discretion. Regulatory rules which require deferral of variable remuneration, with a portion being deferred in shares, and arrangements for clawback all add to the complexity. Full details will be set out in the shareholder circular on remuneration.

Proposed awards: All long-term incentive awards granted to the chief executive, managing director and group risk and finance director have lapsed unvested. We were unable to make an award last year under the old Share Matching Plan as the performance conditions attached to that plan were no longer acceptable to the UK regulator. As a consequence, these executive directors currently have no interest in any long-term incentive schemes. This lack of alignment with shareholders' long-term interests is a matter of concern which the remuneration committee and board consider should be rectified.

It is intended that share awards will be made to executive directors at the discretion of the committee, on an annual basis. Further details will be contained in the shareholder circular on remuneration accompanying the notice of general meeting. As mentioned above, the committee was not able to make any long-term awards last year. The last time that any awards were made was in 2010. These awards have lapsed having failed to meet the performance conditions set for them on grant. If approved at the extraordinary general meeting, awards under the 2013 long-term incentive plan will vest in 2017 and annually thereafter but only if performance conditions have been met.

The remuneration report was prepared by the remuneration committee and approved by the board.

Salaries and benefits: We are proposing no changes to the salary and benefits of the chief executive officer, managing director and the chief executive officer of Investec Asset Management all of whose salaries are based in Pounds Sterling. The group risk and finance director, whose salary is based in Rand, received an inflationary salary adjustment.

Review of the 2013 financial year

Key points to note for the period under review include:

- Group performance:
  - Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests increased 20.8% to £433.2 million
  - Adjusted earnings per share increased 16.4% to 37 pence
  - Dividends per share increased 5.9% to 18 pence
  - Return on equity increased to 9.5% (2012: 7.8%)
  - Recurring income as a % of total operating income increased to 68.6% (2012: 67.7%)
  - Return on average risk weighted assets increased to 1.09% (2012: 0.91%)
  - Core capital and liquidity ratios remain sound
  - Our total shareholder return was 24.6% for Investec plc in Pounds Sterling and 41.2% for Investec Limited in Rand. This compares to a return of 29.7% for the FTSE 350 General Finance Index. Since listing on the London Stock Exchange in 2002, Investec plc has outperformed the FTSE 350 General Finance Index

Refer to graph on page 126.

- Asset Management performance:
  - Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests increased 4.8% to £140.2 million, contributing 32.4% to group profit
  - Assets under management increased 13.4% to £69.8 billion with net new flows of £4.1 billion.
- Total staff compensation ratios are as follows:
  - Total for the group: 43.7% (2012: 43.0%)
  - Asset Management: 46.1% (2012: 45.9%)
  - Wealth & Investment: 55.6% (2012: 57.2%)
  - Specialist Banking: 40.8% (2012: 40.2%)
- Annual bonus for executive directors: In light of the positive financial performance of the group in 2013 and after consideration of progress across a range of non-financial measures, the remuneration committee approved an annual bonus of £1.5 million for each of Stephen Koseff, Bernard Kantor and Glynn Burger and £4.4 million for Hendrik du Toit. A total of £3.1 million is to be received up front in cash and £5.8 million deferred
- Non-executive directors: The board approved a modest increase in fees for the forthcoming year, roughly in line with inflation
- Remuneration governance: After nine years of service as chair of the remuneration committee, George Alford stepped down at year end and I was appointed acting chair of the remuneration committee. Shortly thereafter, Bradley Fried was appointed to serve on the remuneration committee. Bradley is not an independent director because he served as the chief executive officer of Investec Bank plc for a period to March 2010. We consider that Bradley's knowledge and experience of the group is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders. During the year PricewaterhouseCoopers were additionally appointed as advisers to the company in relation to the executive directors' incentive schemes and more recently the implications of CRD IV. New Bridge Street continue to advise the remuneration committee.

Agenda for the 2014 financial year

Impact of European directives: Investec will be impacted by the changing regulatory requirements in the UK and the Specialist Bank will need to meet the challenges imposed by CRD IV when it is finalised. The PRA is expected to publish a consultation paper on implementation shortly. It is widely expected that these regulations will limit the quantum of variable remuneration (including the value of long-term incentive awards) to 'one times' the level of fixed remuneration, or 'two times' fixed remuneration if shareholders pass a resolution approving this. These changes are expected to be effective some time in 2014, possibly as early as 1 January.

We will be asking shareholders to support the proposed arrangements for the group's 2014 financial year which is likely to be the last year in which these proposals are acceptable under UK regulations. We are following regulatory and market developments closely and expect to have to again consult with shareholders in early 2014 on amended remuneration arrangements for the group's 2015 financial year. Unfortunately, it appears that we may be forced to increase the fixed pay element of compensation in order to be able to comply with the new regulations. We will take advice and work with senior executives to do this in a way which best serves the interests of the group and all its stakeholders.

We will also need to work through the implications of the Undertakings for the Collective Investment of Transferable Securities Directive V (UCITS)V and, to a lesser extent, Alternative Investment Fund Managers Directive (AIFMD) for Investec Asset Management and approve changes to IAM's remuneration policy where necessary.

Remuneration reporting: In the UK, the BIS has been consulting on significant changes to the way directors' remuneration is disclosed in this report and how shareholders are to be able to exert greater influence over the decisions taken in listed UK companies. We have been monitoring these developments and have adopted a number of the new rules in this report, a year before they are required to be complied with. The greatest changes will, however, be seen in next year's report.

Remuneration policy: As reported last year, there were certain contractual arrangements among the firms that we acquired in 2011 which fell below best practice and are outside our preferred conditions of employment. We have received assurances that these will be phased out in the coming financial year.

Conclusion

The board and remuneration committee are grateful to George Alford for his careful and skilful discharge of his onerous responsibilities over a long period which saw tremendous growth in Investec's business in both scale and complexity and during which the regulatory environment in which the remuneration committee operated became considerably more demanding – a trend which looks set to continue.

The executive director incentive scheme proposals are the subject of shareholder consultation and will be set out in a separate circular and I will not attempt to summarise those proposals here. Suffice to say that I trust that stakeholders will acknowledge the considerable effort which has been expended this year to respond to feedback from shareholders and design incentive schemes for our executive directors which are transparent and which fully reflect and balance the different interests of all our stakeholders.

The committee unanimously recommends that you vote to approve this report at the 2013 annual general meeting.

Signed on behalf of the board

Olivia C. Dickson

Olivia C Dickson
Acting chair
Remuneration committee

11 June 2013

Remuneration philosophy, principles and policy

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group.

We reward executive directors and employees for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive plan (share awards) providing long-term equity participation.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term in a risk conscious manner. Overall, rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit- and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

A value added statement is included on page 9.

Remuneration principles

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy' are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the Investec group
- Be consistent with, and promote, sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the Investec group
- Ensure that payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- Target gross remuneration (base salary and benefits including pension) at median market levels to contain fixed costs
- Ensure that variable remuneration is largely economic value added (EVA)-based and underpinned by our pre-determined risk appetite and capital allocation
- Facilitate alignment with shareholders through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on the fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards.

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are contractually (and do not consider ourselves morally) bound to make variable remuneration awards.

In addition, we operate a fully flexible incentive policy and are not contractually bound to make incentive awards. Investec has the ability to pay no annual bonuses and make no long-term incentive awards should the performance of the group or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group Compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec and its clients from occurring and posing a risk to the group on prudential grounds.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at a group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Determination of remuneration levels

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the group include:

- Financial measures of performance
  - Risk-adjusted EVA model
  - Affordability
- Non-financial measures of performance of:
  - Market context
  - Specific input from the group risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions
- Non-financial measures of performance
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the group's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the group risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For executive directors, the remuneration committee benchmarks against a bespoke peer group comprising: Aberdeen Asset Management, ABSA Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon
- For employees, combinations of firms from the JSE Financial 15 and the FTSE350 General Finance sector have offered the most appropriate benchmarks
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees. Our remuneration arrangements for executive directors are currently the subject of a consultation with shareholders and will be the subject of a separate shareholder circular.

Gross remuneration: base salary and benefits

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the group's policy to seek to set base salaries and benefits (together known as gross remuneration) at median market levels when compared like for like with peer group companies.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives while remaining true to corporate values and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are market-driven and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries, not annual bonuses, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus, subject *inter alia* to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions; Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentives

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 32.

Group Risk Management is independent from the business units and monitors, manages and reports on the group's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee (BRCC). The group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/ forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The BRCC (comprising both executive and non-executive directors) meets six times per annum and sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the group's risk management teams who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The capital committee is a sub-committee of the BRCC and provides detailed input into the group's identification, quantification and measurement of its capital requirements taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The executive risk review forum (ERRF), comprising members of the executive and the heads of the various risk functions, meets weekly. Its responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The group's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis and the riskiness of business undertaken is therefore evaluated and approved at initiation of the business through deal forum, investment committee and ERRF and is reviewed and ratified at ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against pre-determined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a group and transaction level which form the basis of the group's performance related variable remuneration model thus balancing the interests of all stakeholders.

Further, both the risk and compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period in excess of 10 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to inter-segment activity. Profits are determined as follows:
  - Realised gross revenue (net margin and other income)
  - Less: Funding costs
  - Less: Impairments for bad debts
  - Add back: Debt coupon or preference share dividends paid out of the business (where applicable)
  - Less: Direct operating costs (personnel, systems, etc)
  - Less: Group allocated costs and residual charges (certain independent group functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)
  - Less: Profits earned on retained earnings and statutory held capital
  - Add: Notional profit paid by centre on internal allocated capital
  - Equals: net profits
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees

A detailed explanation of our capital management and allocation process is provided on pages 80 to 83.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, *inter alia*, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk and the competitive benchmarks for each product line
- In essence varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the predetermined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the group; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed pre-determined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do

so, considering firm-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees

- The EVA pools are calculated centrally by the group's finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving Human Resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management, before the remuneration committee review and approval process.

The group remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and PRA Code staff. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

Deferral of annual bonus awards – non-UK PRA Code staff within the Specialist Bank

All annual bonus awards exceeding a pre-determined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The entire deferred amount is awarded in the form of forfeitable share awards vesting in three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as EVA shares. These awards are made in terms of our existing long-term incentive plans (refer below). The entire amount of the annual bonus that is not deferred is payable up front in cash.

Deferral of annual bonus awards – UK PRA Code staff within the Specialist Bank

- Individual awards to PRA Code staff are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the group remuneration policy and governance processes (also set out above)
- Annual bonus awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to PRA Code staff are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in EVA forfeitable shares (up-front EVA forfeitable shares)
- The up-front EVA forfeitable shares will vest immediately but will only be released after a period of six months, which we consider to be an appropriate retention period
- Discretionary bonuses for PRA Code staff who are not exempted by the *de minimis* rates are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of LTIPs granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to PRA Code staff will, at the election of the staff member, be made either entirely in the form of EVA forfeitable shares, or 50% in EVA forfeitable shares and 50% in cash
- All deferrals in the form of EVA forfeitable shares (being either 50% or 100% of such deferral) vest in equal amounts at the end of 12 months, 24 months and 36 months and are then subject to an appropriate period of retention, being six months.

Investec Asset Management: variable short-term incentives

Investec Asset Management (IAM) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the PRA Remuneration Code. The IAM remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy, principles and policy of IAM.

IAM operates the following annual bonus schemes which may result in annual payments to employees:

- Annual Discretionary Cash Bonus Scheme (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)
- Deferred Bonus Plan (participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees).

The percentage of profit allocated to the variable remuneration pool has been agreed (at a fixed participation rate) and approved by both the DLC and IAM remuneration committees. The same fixed participation rate has been applied consistently for many years. This structure has been a key contributor to the long-term success of IAM and encourages the staff to behave like owners. We believe in aligning the long-term interests of clients, shareholders and staff.

Individual annual bonus awards are approved by the IAM remuneration committee and reviewed by the DLC remuneration committee annually.

Annual Discretionary Cash Bonus Scheme (ADCBS)

Awards under the ADCBS are payable entirely in cash. The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees. The cash bonus pool determination is based on the profitability of IAM only. In principle, there would be no cash bonus payments should IAM be loss making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long term even if the business had been loss making in the short term).

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk-adjust the cash bonus pool should they believe this is required given the risk taken and the overall financial results.

Deferred Bonus Plan (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees. The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks.

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based on the remuneration requirements in the year being considered. This will take into consideration local market remuneration practices and relevant and required regulations.

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds. The deferral period is just over three years and awards are only paid out under specific listed conditions. The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time. Employees forfeit their allocations if they resign or their employment terminates (other than at the discretion of IAM for redundancy, retirement, death or disability) prior to the vesting date.

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee.

IAM's governance processes, operating within the context of the broader Investec group's processes, ensure robust oversight of reward and effective management of any potential conflicts of interest whilst reflecting the need to link remuneration decisions with IAM's risk appetite.

The head of the IAM risk committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions.

In addition, IAM Human Resources and Compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration.

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit. There is an annual budget against which the business is measured.

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance. This ensures that staff are rewarded appropriately for meeting their objectives and keeping within the values of the business.

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes.

Investec Wealth & Investment other than in South Africa: variable short-term incentives

Investec Wealth & Investment (IW&I) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the PRA Remuneration Code. IW&I recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the PRA Remuneration Code. The IW&I remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of IW&I within the context of the Investec group's agreed remuneration philosophy and policy.

IW&I operates the following variable performance bonus schemes which may result in annual payments to employees:

- Discretionary Incentive Scheme (relating to staff in client facing roles and administration staff who support them directly)
- Discretionary Bonus Scheme (relating to staff in non-client facing support functions)
- Additional New Business Incentive Scheme (relating to staff primarily in client facing roles who are direct generators of income).

Awards under each of the three schemes above are payable entirely in cash and do not attract employer pension contributions. In the case of the Discretionary Incentive Scheme and the Discretionary Bonus Scheme, the award may be paid directly to the individual (subject to the deduction of PAYE and NIC) or, at IW&I's discretion, as an additional pension contribution.

All employees are eligible to be considered for an annual discretionary award under one of the above schemes. Awards relate to financial years ending 31 March each year. An interim payment on account of the annual award is considered at the half-year stage.

Value adjustments that are considered appropriate as a result of an individual's level of non-financial performance being below that expected by the business are made entirely to the discretionary incentive scheme or discretionary bonus scheme award of the employee concerned.

Where an IW&I executive director undertakes a role that is primarily client facing in a specific business unit, that director may also be eligible to participate in the incentive schemes of the relevant business unit. Such schemes comprise two elements:

- The first element is a bonus pool which is calculated based on a formula that is directly related to the profitability of the business unit. The entire bonus pool, which is not subject to an upper limit, is distributed to the employees of the business unit on a discretionary basis. A proportion of the annual discretionary bonus payable to such executive directors may be awarded as a pension contribution, at the discretion of the committee
- The second element rewards participating employees on an individual basis for new business that is gained and then retained for a period of three years following the end of the year in which the new business is gained.

The amount payable is based on a formula which is directly related to the income generated as a result of the new business and is not subject to an upper limit. All awards under this scheme are cash awards. This latter scheme represents a long-term incentive scheme in accordance with the regulations and amounts earned and paid under this scheme are separately disclosed in the financial statements of IW&I.

Investec Wealth & Investment: South Africa variable short-term incentives

As there are no overriding regulatory requirements applicable to the business, the policies applicable to the Specialist Bank are applied to this business unit as set out on pages 117 to 119.

Other information on deferred awards and clawback provisions within the group

Employees who leave the employment of Investec prior to vesting of these deferred awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the group's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards are subject to clawback of unpaid EVA. The assessment of whether any clawback should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for EVA share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

Long-term incentive: share awards

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a retention mechanism for key talent.

Awards are made in the form of nil cost options other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of forfeitable shares, conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Association of British Insurers (ABI) guidelines. These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards (LTIPs) are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc LTIPs are made to employees of Investec plc and awards of Investec Limited LTIPs for employees of Investec Limited. AT IAM, LTIP awards are only generally considered for employees who do not participate in the DBOP.

LTIP awards for non-PRA Code Staff are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year, which we believe is appropriate for our business requirements. LTIP awards to PRA Code Staff are subject to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, and are then subject to a six-month retention period. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

Investec's share option and long-term incentive plans are summarised below and include: our current long-term incentive plans and several plans that are no longer used (including those relevant to executive directors), or which were introduced prior to the implementation of the DLC structure. Some of these plans still have outstanding awards.

Summary of Investec's share option and long-term incentive plans

Plan	Eligibility	Date imple-mented	Option/ shares	Maximum award per individual[1]	Performance conditions[2]	Vesting period	Options granted during the year[3]	Total issued as at 31 March 2013[4/5/6]
Long-term incentive plans								
Investec 1 Limited Share Incentive Plan[7] – nil cost options – EVA share awards – market strike options	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 March 2005	Investec plc	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five and for PRA Code staff 75% at the end of three and a half years and 25% at the end of four and a half years plus a six-month retention • EVA share awards: up to three years from date of award • Market strike options: 25% end of year two, three, four and five	12 011 801 16 000	Number: 47 586 377 % of issued share capital of company: 7.9% Number: 16 000 % of issued share capital of company: 0.0%
Investec Limited Share Incentive Plan[7] – nil cost options – EVA share awards	• New and existing full-time employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 March 2005	Investec Limited and Investec plc	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five • EVA share awards: up to two years from date of award	8 609 725	Number: 44 300 546 % of issued share capital of company: 5.0%
Share plans not currently in use								
Investec plc Share Matching Plan 2005	Executive directors	14 November 2005	Matching awards of Investec Limited and Investec plc shares in the ratio of 1:1 against shares invested in plan by the director	A maximum of 750 000 investment shares may be invested in the plan each time the plan is operated	Vesting scale over the period based on normalised EPS growth in excess of UK RPI, with 0% vesting if EPS growth is less than 4% plus RPI p.a. and 100% vesting if EPS growth is in excess of RPI plus 12% p.a.	75% end of year four and 25% end of year five	Last grant made on 1 July 2010 and no longer in use	Number: 3 150 000[8] % of issued share capital of company: 0.5%

Plan	Eligibility	Date imple-mented	Option/ shares	Maximum award per individual[1]	Performance conditions[2]	Vesting period	Options granted during the year[3]	Total issued as at 31 March 2013[4/5/6]
Share plans not currently in use (continued)								
Investec plc Share Option Plan 2002 (unapproved plan) (expired August 2012)	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • UK employees – grants exceeding £30 000 • Directors and executives	28 August 2002	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	Growth in headline EPS ≥UK RPI plus 3% compounded annually over the period of the grant	Tranches of 25% each on the second, third, fourth and fifth anniversaries	84 750	Number: 478 152 % of issued share capital of company: 0.8%
Investec plc Share Option Plan 2002 (approved plan) (expired August 2012)	• New and existing UK full-time employees – grants up to the value of £30 000 • Directors and executives	28 August 2002	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	Growth in headline EPS ≥UK RPI plus 3% compounded annually over the period of the grant	Tranches of 50%, 25% and 25% at the third, fourth and fifth anniversaries respectively	Last grant made on 17 June 2003	Number: 35 950 % of issued share capital of company: 0.0%
Investec plc Deferred Bonus Plan 2008	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius	2 June 2008	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	None	Variable with a minimum non-dealing period of one year	None	Number: 147 875 % of issued share capital of company: 0.0%

1. *The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.*
2. *The Investec plc Share Option Plan 2002 (unapproved plan) is operated in jurisdictions where the application of the other schemes is less favourable to participants. This scheme provides for performance conditions to be applied to awards, which are determined by the committee at the time the awards are made. This note does not apply to the Share Matching Plan 2005 which has different performance conditions as approved by shareholders (further information is available on our website).*
3. *This represents the number of awards made to all participants. For further details, see the directors' report on page 6 in volume three. More details on the directors' shareholdings are also provided in tables accompanying this report.*
4. *Dilution limits: Investec is committed to following the ABI guidelines and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling 10 year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 years guideline for discretionary awards. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. The issued share capital of Investec plc and Investec Limited at 31 March 2013 was 605.2 million shares and 279.6 million shares respectively.*
5. *The market price of an Investec plc share as at 31 March 2013 was £4.59 (2012: £3.82), ranging from a low of £3.10 to a high of £5.14 during the financial year.*
6. *The market price of an Investec Limited share as at 31 March 2013 was R64.26 (2012: R47.16), ranging from a low of R41.31 to a high of R69.89 during the financial year.*
7. *The rules of these long-term incentive plans do not allow awards to be made to executive directors.*
8. *The performance conditions in respect of these awards were not met and accordingly the awards will be forfeited on 1 July 2013.*

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the Investec plc group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The remuneration committee at least annually reviews guaranteed variable remuneration payments and the number of guarantees awarded to ensure that they are only granted in exceptional circumstances.

Retention awards

Investec only pays retention awards to serving staff in exceptional circumstances. In all such cases, Human Resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally for PRA Code staff, the remuneration committee shall review all proposed awards. Circumstances where Investec plc will consider paying a retention award are in the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to PRA Code staff, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments by Investec plc or one of its subsidiary companies for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for PRA Code staff individuals shall be subject to approval by the DLC remuneration committee.

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement should be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation.

Non-executive directors' remuneration

The board agrees and determines the fees of non-executive directors and the fees are reviewed annually. The board's policy is that fees should reflect individual responsibilities and membership of board committees. The increase in non-executive directors' fees for the forthcoming year reflects current market conditions (with the focus on controlling fixed remuneration) and additional time commitment required. Their fee structure covers the dual roles that the directors perform for the UK listed Investec plc and the South African listed Investec Limited boards. The fee structure for non-executive directors for the 2013 and 2014 financial years is shown below:

Non-executive directors' remuneration	2013 financial year	As approved by the board for the 2014 financial year
Chairman's total fee	£250 000 per year	£255 000 per year
Basic non-executive director fee	£65 000 per year	£67 000 per year
Senior independent director	£5 000 per year	£5 500 per year
Chairman of the DLC audit committee	£55 000 per year	£57 000 per year
Chairman of the DLC remuneration committee	£37 000 per year	£38 000 per year
Member of the DLC audit committee	£16 000 per year	£16 500 per year
Member of the DLC remuneration committee	£14 500 per year	£15 000 per year
Member of DLC nominations and directors' affairs committee	£10 500 per year	£11 000 per year
Member of the board risk and capital committee	£13 000 per year	£13 500 per year
Board member in attendance of the board risk and capital committee	£10 500 per year	£11 000 per year
IBL board member in attendance of the board risk and capital committee	R125 000 per year	R130 000 per year
Member of the Investec Bank plc board	£11 500 per year	£12 000 per year
Member of the Investec Bank Limited board	R250 000 per year	R260 000 per year
Member of the Investec Limited audit committee who is not a DLC audit committee member	R120 000 per year	R125 000 per year
IBL board member in attendance at the DLC nominations and directors' affairs committee	R68 000 per year	R70 000 per year

Fees are also payable for any additional time committed to the group including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in a group company. The group has left this choice to the discretion of each non-executive director.

Governance

Compliance and governance statement

The remuneration report complies with the provisions of the UK Corporate Governance Code 2012, section 420 of the UK Companies Act 2006, the UK Financial Conduct Authority listing rules, the PRA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008 and the JSE Limited listing requirements.

Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects. In those cases, the higher requirements are applied to that part of the group. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to PRA Code staff. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

We believe that our remuneration policy is consistent with and complies with the principles and rules of the PRA Remuneration Code in respect of Investec plc and its subsidiary companies. We also believe that this policy is consistent with and complies with the substance of the Financial Stability Board's Principles for Sound Compensation Practices.

The following Investec plc group entities are separately regulated by the PRA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Asset Management Limited
- Investec Wealth & Investment Limited
- Investec Bank plc
- Hargreave Hale Limited.

Under the PRA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Asset Management and Wealth Management businesses have been classified as level 3 entities under the proportionality rules of the PRA Remuneration Code.

Composition and role of the committee

George Alford, after having served on the board and the committee for over nine years, resigned from the committee on 31 March 2013. Olivia Dickson, who has served on the committee for two years, has assumed responsibility as acting chair of the committee for a period of six months. Bradley Fried was appointed as a member of the committee effective from 3 April 2013. Fani Titi attends the meetings as a permanent invitee.

Three of the current members of the committee are deemed to be independent as discussed on page 86.

Members of the committee are also members of the group's board risk and capital committee and/or audit committee (as discussed on pages 90 to 93 and pages 95 and 96), thus bringing risk and control mechanisms into their deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities, who are the global heads of our core areas of activity and are members of our global operations forum)
- Commission and consider the results of an annual central and internal review of policy implementation
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of, and determine targets and objectives for any performance related pay schemes operated by the group and approve the aggregate annual payouts under such schemes
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of executive directors and executive management including, where appropriate, bonuses, incentive payments and share scheme awards
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the internal audit, risk and compliance functions
- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to remuneration are respected.

The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties.

The committee's terms of reference are subject to annual review and are available on our website.

Meetings

The remuneration committee met 13 times during the financial year. An attendance schedule is provided on page 93.

The company secretary of Investec plc acts as the secretary. Executive directors do not attend meetings of the committee, unless invited or required to do so by the chairman of the committee. The chairman of the committee reports on the activities of the committee at each meeting of the full board.

Advisers to the committee and the company

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee chairman, and Investec funds any expenses relating to their appointment.

During the financial year, the committee continued to use the services of its advisers, New Bridge Street, which among other things specifically reviewed and provided information on executive share incentive schemes, industry consultation papers, regulations and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmarks, industry and comparable organisations' remuneration practices. Their recommendations are valued in the ongoing review of our remuneration practices. New Bridge Street is a signatory to the UK Remuneration Consultants Group's Code of Conduct and does not conduct any material work for the company other than for the committee and is part of Aon plc. The company also retained the services of PricewaterhouseCoopers to assist with the development of executive director incentive arrangements and the implications of various regulatory developments including the CRD IV.

Furthermore, we have used the services of Linklaters, who have advised this year mainly on the creation of a new share plan (Executive Incentive Plan 2013), a number of issues pertaining to our existing incentive plans and aspects of the implementation of the PRA Remuneration Code. Linklaters is one of Investec plc's legal advisers.

Certain specialist divisions within the group, for example, Human Resources and the Staff Shares Schemes division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our finance teams taking into account risk-adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

Service contracts and terms of employment

Each executive director is entitled to receive annually gross remuneration comprising a salary and other benefits and is also eligible for an annual bonus, the amount of which will be determined by the remuneration committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual gross remuneration to receive company benefits such as a travel allowance and medical aid.

The full costs of these benefits are deducted from their gross remuneration with the residual then being in effect their basic salary.

Further information is provided on pages 127 and 128.

Executive directors are permitted to accept outside appointments on external boards or committees provided these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

Performance graph: total shareholder return

We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002. We have been listed in South Africa since 1986.

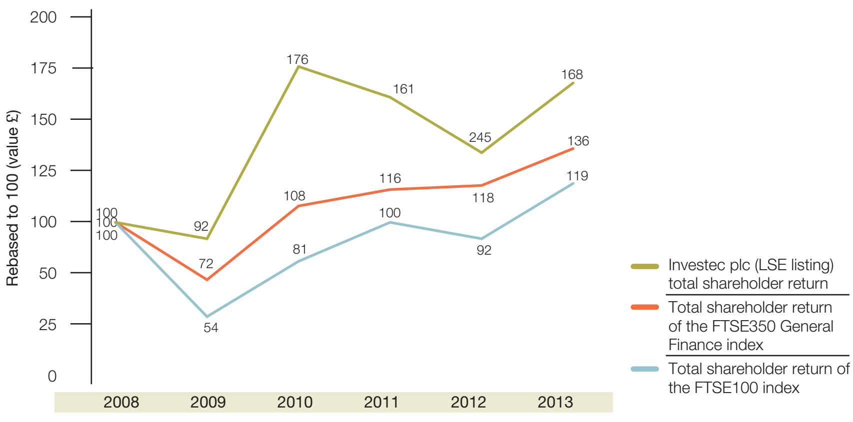
Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. We found it difficult to locate an appropriate group of companies to benchmark ourselves against because of our specialist activities. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, to date this has been the most appropriate index against which to measure our performance on the LSE. Towards the end of our 2010 financial year, Investec plc was included as a new entrant into the FTSE 100 Index. Investec plc however, exited this index during December 2011 as it did not qualify for re-inclusion based on its market capitalisation at that date. We have included the total shareholder return of that index for illustrative purposes.

The graph below shows the cumulative shareholder return for a holding of our shares (in green) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2013, a hypothetical £100 invested in Investec plc at 31 March 2008 would have generated a total return of £68 compared with a return of £19 if invested in the FTSE 350 General Finance Index and a return of £36 if invested in the FTSE 100 Index. Investec plc has therefore outperformed the FTSE 350 General Finance Index and the FTSE 100 Index over the period.

During the period from 1 April 2012 to 31 March 2013, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 24.6% and 41.2%, respectively. This compares to a 29.7% for the FTSE 350 General Finance Index and a return of 13.4% for the FTSE 100 Index.

The market price of our shares on the LSE was £4.59 as at 31 March 2013, ranging from a low of £3.10 to a high of £5.14 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R64.26 as at 31 March 2013, ranging from a low of R41.31 to a high of R69.89 during the financial year.

Total shareholder return



Source: Datastream.

Audited information

Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2013:

Name	Salaries, directors' fees and other remuneration 2013 £	Total other benefits 2013[3] £	Gross remuneration 2013[1/2] £	Annual bonus – cash component 2013[4]	Annual bonus – deferred component 2013[4] £	Total remuneration 2013 £	Total remuneration 2012[5] £
Executive directors							
S Koseff (chief executive officer)[5]							
– cash component	360 041	89 959	450 000	300 000	–	750 000	450 000
– deferred component	–	–	–	–	1 200 000	1 200 000	–
						1 950 000	450 000
B Kantor (managing director)[5]							
– cash component	419 196	30 804	450 000	300 000	–	750 000	450 000
– deferred component	–	–	–	–	1 200 000	1 200 000	–
						1 950 000	450 000
GR Burger (group risk and finance director)[5]							
– cash component	307 294	51 688	358 982	300 000	–	658 982	370 681
– deferred component	–	–	–	–	1 200 000	1 200 000	–
						1 858 982	370 681
HJ du Toit[7]							
– cash component	391 378	59 535	450 913	2 180 000	–	2 630 913	441 678
– deferred component	–	–	–	–	2 180 000	2 180 000	4 327 500
						4 810 913	4 769 178
Total in Pounds Sterling	1 477 909	231 986	1 709 895	3 080 000	5 780 000	10 569 895	6 039 859
Non-executive directors							
Sir D Prosser (joint chairman)	250 000	–	250 000	–	–	250 000	176 832
F Titi (joint chairman)	250 000	–	250 000	–	–	250 000	218 548
SE Abrahams	285 563	–	285 563	–	–	285 563	283 972
GFO Alford	168 408	–	168 408	–	–	168 408	148 000
CA Carolus	70 431	–	70 431	–	–	70 431	67 705
PKO Crosthwaite	143 998	–	143 998	–	–	143 998	86 500
OC Dickson	95 000	–	95 000	–	–	95 000	90 500
B Fried	148 000	–	148 000	–	–	148 000	145 500
D Friedland[8]	8 094	–	8 094	–	–	8 094	–
H Fukuda OBE	79 259	–	79 259	–	–	79 259	72 000
IR Kantor	76 500	–	76 500	–	–	76 500	73 000
MP Malungani	102 029	–	102 029	–	–	102 029	99 767
PRS Thomas	205 276	–	205 276	–	–	205 276	208 445
Total in Pounds Sterling	1 882 558	–	1 882 558	–	–	1 882 558	1 670 769
Total in Pounds Sterling	3 360 467	231 986	3 592 453	3 080 000	5 780 000	12 452 453	7 710 628

1. *Gross remuneration comprises base salary and other benefits (see points 2 and 3 below).*
2. *Gross remuneration of S Koseff and B Kantor remained the same as the prior year and HJ du Toit's gross remuneration increased by 2.1%. The gross remuneration of GR Burger is determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's gross remuneration increased by 5.1% from R3 550 000 in March 2012 to R3 733 333 in March 2013. Gross remuneration increases for other employees across the group have generally been in the range of 5% to 10%.*
3. *The executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; and medical cover, on similar terms to other senior executives.*
4. *Determination of bonuses are explained on pages 117 to 119 and as discussed on page 119 a portion of bonuses are paid in cash and a portion is deferred as required in terms of the PRA Code. In 2012 S Koseff, B Kantor and GR Burger waived their bonuses.*

5. *A breakdown of the components of the reward packages for the executive directors in the 2012 financial year is as follows:*

Name	Salary £	Total other benefits £	Gross remuneration £	Annual bonus – cash component £	Annual bonus – deferred component £	Total remuneration £
S Koseff (chief executive officer)	344 791	105 209	450 000	–	–	450 000
B Kantor (managing director)	410 640	39 360	450 000	–	–	450 000
GR Burger (group risk and finance director)	315 163	55 518	370 681	–	–	370 681
HJ du Toit	391 378	50 300	441 678	–	4 327 500	4 769 178
Total in Pounds Sterling	1 461 972	250 387	1 712 359	–	4 327 500	6 039 859

6. *S Koseff, B Kantor and GR Burger are classified as PRA Code staff.*
7. *Notwithstanding that HJ du Toit is currently a director of Investec plc and Investec Limited; he does not perform Investec group-wide executive activities. Accordingly, HJ du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of Investec Asset Management and not the remuneration policies, rules and regulations applicable to other entities within the Investec group.*
8. *D Friedland was appointed on 1 March 2013.*

Retirement benefits

None of the executive directors belong to a defined benefit pension scheme and all are members of one of our defined contribution pension schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as set out in the tables above, is as follows:

Name	2013 £	2012 £
Executive directors		
S Koseff (chief executive officer)	56 468	64 659
B Kantor (managing director)	23 954	23 931
GR Burger (group risk and finance director)	41 547	43 402
HJ du Toit	50 000	50 000
Total in Pounds Sterling	171 969	181 992

Executive directors' total assumed cost to company

The table below provides an indication of the total cost to the company in relation to executive directors' remuneration. Total cash payments and benefits reflect the information disclosed in the tables above. The IFRS accounting charge (in terms of IFRS 2) reflects the cost that has been expensed by the company in its income statement in the relevant period in relation to share options and long-term incentive awards that have been granted to the executives.

Further details on these equity awards are provided in the tables that follow:

Name	Salary, bonus and other benefits 2013 £	Accounting IFRS charge in relation to equity awards 2013 £	Total assumed remuneration expense £	Salary, bonus and other benefits 2012 £	Accounting IFRS charge in relation to equity awards 2012 £	Total assumed remuneration expense £
Executive directors						
S Koseff (chief executive officer)	1 950 000	(947 458)*	1 002 542	450 000	288 512	738 512
B Kantor (managing director)	1 950 000	(1 090 680)*	859 320	450 000	315 471	765 471
GR Burger (group risk and finance director)	1 858 982	(947 458)*	911 524	370 681	(307 877)	62 804
HJ du Toit	4 810 913	675 848	5 486 761	4 769 178	833 535	5 602 713
Total in Pounds Sterling	10 569 895	(2 309 748)	8 260 147	6 039 859	1 129 641	7 169 500

* *Accounting IFRS2 charges have been reversed in respect of awards lapsed, where performance conditions have not been met. Refer to the notes to the directors' interest in the Share Matching Plan on page 130.*

Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2013.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2013

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[1]			Investec Limited[1]		
Name	1 April 2012	31 March 2013	31 March 2013	1 April 2012	31 March 2013	31 March 2013
Executive directors						
S Koseff	4 839 133	4 589 355	0.8%	1 809 330	1 809 399	0.6%
B Kantor	63 980	57 980	–	3 801 000	4 201 000	1.5%
GR Burger	2 402 135	2 402 135	0.4%	1 037 076	737 076	0.3%
HJ du Toit	–	–	–	604 740	604 740	0.2%
Total number	7 305 248	7 049 470	1.2%	7 252 146	7 352 215	2.6%
Non-executive directors						
Sir DJ Prosser (joint chairman)	10 000	10 000	–	–	–	–
F Titi (joint chairman)	–	–	–	–	–	–
SE Abrahams	–	–	–	–	–	–
GFO Alford	10 000	10 000	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	132 908	132 908	–	–	–	–
OC Dickson	–	–	–	–	–	–
B Fried	–	–	–	300 000	300 000	0.1%
D Friedland[2]	–	–	–	–	–	–
H Fukuda OBE	5 000	5 000	–	–	–	–
IR Kantor	3 509 545	3 509 545	0.6%	325	325	–
MP Malungani	–	–	–	–	–	–
PRS Thomas	195 800	195 800	–	500	500	–
Total number	3 863 253	3 863 253	0.6%	300 825	300 825	0.1%
Total number	11 168 501	10 912 723	1.8%	7 552 971	7 653 040	2.7%

1. *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 123.*
2. *D Friedland was appointed on 1 March 2013.*

Directors' interest in preference shares as at 31 March 2013

	Investec plc		Investec Limited		Investec Bank Limited	
Name	1 April 2012	31 March 2013	1 April 2012	31 March 2013	1 April 2012	31 March 2013
Executive directors						
S Koseff	101 198	101 198	3 000	3 000	4 000	4 000

- *The market price of an Investec plc preference share as at 31 March 2013 was R56.00 (2012: R45.00)*
- *The market price of an Investec Limited preference share as at 31 March 2013 was R85.10 (2012: R93.41)*
- *The market price of an Investec Bank Limited preference share as at 31 March 2013 was R91.90 (2012: R98.25).*

Directors' interest in options as at 31 March 2013

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interest in long-term incentive plans as at 31 March 2013

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2012	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2013	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
HJ du Toit	25 June 2007	Nil	93 750	(93 750)	–	–	£3.65	£342 637	
	25 June 2009	Nil	250 000	–	–	250 000	–	–	75% is exercisable on 25 June 2013 and 25% on 25 June 2014
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015

The group has made awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan (LTIP).The awards are in accordance with the determination of the remuneration committee and with the rules of the LTIP. These awards were made prior to HJ du Toit becoming an executive director. HJ du Toit exercised his options and sold 93 750 Investec plc shares on 25 June 2012, when the share price was £3.65 per share.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2013

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2012	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2013	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
S Koseff	25 June 2009	Nil	300 000		(300 000)	–			The entire award was forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000*			The entire award will be forfeited on 1 July 2013
B Kantor	25 June 2009	Nil	300 000		(300 000)	–			The entire award was forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000*			The entire award will be forfeited on 1 July 2013
GR Burger	25 June 2009	Nil	300 000		(300 000)	–			The entire award was forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000*			The entire award will be forfeited on 1 July 2013

^ *The performance conditions in respect of the awards made on 25 June 2009 were not met and accordingly the awards were forfeited on 25 June 2012.*

* *The performance conditions in respect of the awards made on 1 July 2010 were not met and accordingly the awards will be forfeited on 1 July 2013.*

This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. Further details on the plan are available on our website.

No additional matching awards were made during the year.

Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2013

Investec plc

Name	Beneficially and non-beneficially held	Options	Long-term incentive plans	Share Matching Plan^	Balance at 31 March 2013	Balance at 31 March 2012
S Koseff	4 589 355	–	–	750 000^	5 339 355	5 889 133
B Kantor	57 980	–	–	750 000^	807 980	1 113 980
GR Burger	2 402 135	–	–	750 000^	3 152 135	3 452 135
HJ du Toit	–	–	1 000 000	–	1 000 000	1 093 750
Total number	7 049 470	–	1 000 000	2 250 000	10 299 470	11 548 998

^ *As discussed on page 130, all of these share awards will be forfeited on 1 July 2013.*

Investec Limited

Name	Beneficially and non-beneficially held	Options	Share Matching Plan	Balance at 31 March 2013	Balance at 31 March 2012
S Koseff	1 809 399	–	–	1 809 399	1 809 330
B Kantor	4 201 000	–	–	4 201 000	3 801 000
GR Burger	737 076	–	–	737 076	1 037 076
HJ du Toit	604 740	–	–	604 740	604 740
Total number	7 352 215	–	–	7 352 215	7 252 146

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below.

Summary: Investec plc and Investec Limited share statistics

	31 March 2013	31 March 2012	High over the year	Low over the year
Investec plc share price	£4.59	£3.82	£5.14	£3.10
Investec Limited share price	R64.26	R47.16	R69.89	R41.31
Number of Investec plc shares in issue ('million)	605.2	598.3	–	–
Number of Investec Limited shares in issue ('million)	279.6	276.0	–	–

South African Companies Act, 2008 disclosures

Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act No 71 of 2008 as amended, read together with the Companies Regulations 2011 (together the Act), as Prescribed Officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the Prescribed Officers for Investec Limited, as per the Act are the following global heads of the group's three distinct business activities:

- Asset Management
  – Hendrik du Toit
- Wealth & Investment
  – Steve Elliott

- Specialist Banking
  - Stephen Koseff
  - Bernard Kantor
  - Glynn Burger.

Hendrik du Toit, Stephen Koseff, Bernard Kantor and Glynn Burger are also the four executive directors of Investec Limited and their remuneration is disclosed on page 127.

Steve Elliott is remunerated by Investec plc (a UK domiciled company) and is not required to disclose his remuneration under the South African Companies Act.

Directors' remuneration – alignment of interests with shareholders (unaudited)

The table below reflects the compound annual growth rate (CAGR) in directors' remuneration and a number of key performance-related variables since our year ended 31 March 2004.

	31 March 2013 £'million	31 March 2004 £'million	CAGR since March 2004
Executive directors – gross remuneration	1.3	0.9	3.6%
Executive directors – annual bonus	4.5	1.9	10.2%
Executive directors – total remuneration	5.8	2.8	8.4%
Non-executive directors' total fees	1.8	1.0	7.2%
Adjusted attributable earnings to shareholders	316.7	106.2	12.9%
Adjusted EPS (pence)	37.0	20.8	6.6%
Total shareholders' equity	4 005.0	805.0	19.5%
Total shareholders' return (Investec plc in Pounds Sterling)	308.0	100	13.3%
Net tangible asset value per share (pence)	318.2	83.0	16.1%

Additional remuneration disclosures (unaudited)

PRA Remuneration Code disclosures

In terms of the PRA's Chapter on Disclosure Requirements (BIPRU 11.5.18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to PRA Code Staff. Code staff are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 45 individuals were PRA Code Staff in 2013.

The bank's qualitative remuneration disclosures are provided on pages 113 to 126.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of PRA Code Staff for the year ended 31 March 2013.

Aggregate remuneration by remuneration type

£'million	Senior management	Other Code staff	Total
Fixed remuneration	4.2	5.6	9.8
Variable remuneration*			
– Cash	2.1	2.7	4.8
– Deferred cash	1.9	1.9	3.8
– Deferred shares	4.4	7.4	11.8
– Deferred shares – long-term incentive awards	3.3	1.0	4.3
Other			
– Options – long-term incentive awards made in current year**	0.3	0.1	0.4
– Options – long-term incentive awards made in prior years**	1.8	(1.7)	0.1
Total aggregate remuneration and deferred incentives	18.0	17.0	35.0

* *Total number of employees receiving variable remuneration was 33.*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year.*

Additional disclosure on deferred variable remuneration

£'million	Senior management	Other Code staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	20.0	12.7	32.7
Deferred unvested remuneration adjustment – employees no longer Code staff	(6.8)	(2.6)	(9.4)
Deferred remuneration awarded in year	9.6	10.3	19.9
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(4.6)	(2.1)	(6.7)
Deferred unvested remuneration outstanding at the end of the year	18.2	18.3	36.5

£'million	Senior management	Other Code staff	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	13.7	10.9	24.6
– Cash	2.9	3.7	6.6
– Other	1.6	3.7	5.3
	18.2	18.3	36.5

£'million	Senior management	Other Code staff	Total
Deferred remuneration vested in year			
– For awards made in 2012 financial year	–	–	–
– For awards made in 2011 financial year	(4.6)	(2.1)	(6.7)
– For awards made in 2010 financial year	–	–	–
	(4.6)	(2.1)	(6.7)

Other remuneration disclosures

	Senior management	Other Code staff	Total
Sign-on payments			
Made during the year (£'million)	0.1	–	0.1
Number of beneficiaries	1	–	1
Severance payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III Disclosure requirements.

The bank's qualitative remuneration disclosures are provided on pages 113 to 126.

The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2013.

Aggregate remuneration by remuneration type

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Fixed remuneration	49.6	60.8	8.7	119.1
Variable remuneration*				
– Cash	101.6	57.3	54.0	212.9
– Deferred shares	104.3	46.5	1.8	152.6
– Deferred shares – long-term incentive awards	41.9	10.5	27.2	79.6
Other				
– Options – long-term incentive awards made in current year**	2.6	1.5	1.8	5.9
– Options – long-term incentive awards made in prior years**	48.9	20.6	15.7	85.2
Total aggregate remuneration and deferred incentives^^	348.9	197.2	109.2	655.3

* *Total number of employees receiving variable remuneration was 323.*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year.*

^ ***Senior management**: all members of our South African general management forum, excluding executive directors.*
***Risk takers:** includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.*
***Financial and risk control staff:** includes everyone in central Group Finance and central Group Risk as well as employees responsible for risk and finance functions within the operating business units.*

^^ *All employees are subject to clawback provisions as discussed on page 121. No remuneration was reduced for ex post implicit adjustments during the year.*

Additional disclosure on deferred variable remuneration

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the beginning of the year	208.3	60.8	8.7	277.8
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank	(3.7)	–	–	(3.7)
Deferred remuneration awarded in year	146.2	57.0	29.0	232.2
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	–	–	–	–
Deferred unvested remuneration outstanding at the end of the year^^	350.8	117.8	37.7	506.3

^^ *All employees are subject to clawback provisions as discussed on page 121. No remuneration was reduced for ex post implicit adjustments during the year.*

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	283.7	94.6	8.9	387.2
– Cash	–	–	–	–
– Other	–	–	–	–
	283.7	94.6	8.9	387.2

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred remuneration vested in year				
– For awards made in 2012 financial year	–	–	–	–
– For awards made in 2011 financial year	(70.4)	(12.7)	(1.6)	(84.7)
– For awards made in 2010 financial year	–	–	–	–
	(70.4)	(12.7)	(1.6)	(84.7)

^ ***Senior management:*** *all members of our South African general management forum, excluding executive directors.*
Risk takers: *includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.*
Financial and risk control staff: *includes everyone in central Group Finance and central Group Risk as well as employees responsible for risk and finance functions within the operating business units.*

Other remuneration disclosures

	Senior management^	Risk takers^	Financial and risk control staff^	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses*				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–

* *Included in variable remuneration as reflected on page 127.*

^ *Senior management: all members of our South African general management forum, excluding executive directors.*
Risk takers: includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.
Financial and risk control staff: includes everyone in central Group Finance and central Group Risk as well as employees responsible for risk and finance functions within the operating business units.
The number of people in each category is as follows: senior management 22; risk takers 18 and financial and risk control staff 294.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 48

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Refer to calculation on page 29 in volume two

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, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to pages 49 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to pages 49 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating 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 47

Non-operating items

Reflects profits and/or losses on termination or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 48

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 48

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 94 in volume two

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 & Investment, Asset Management and Property businesses

Total capital resources

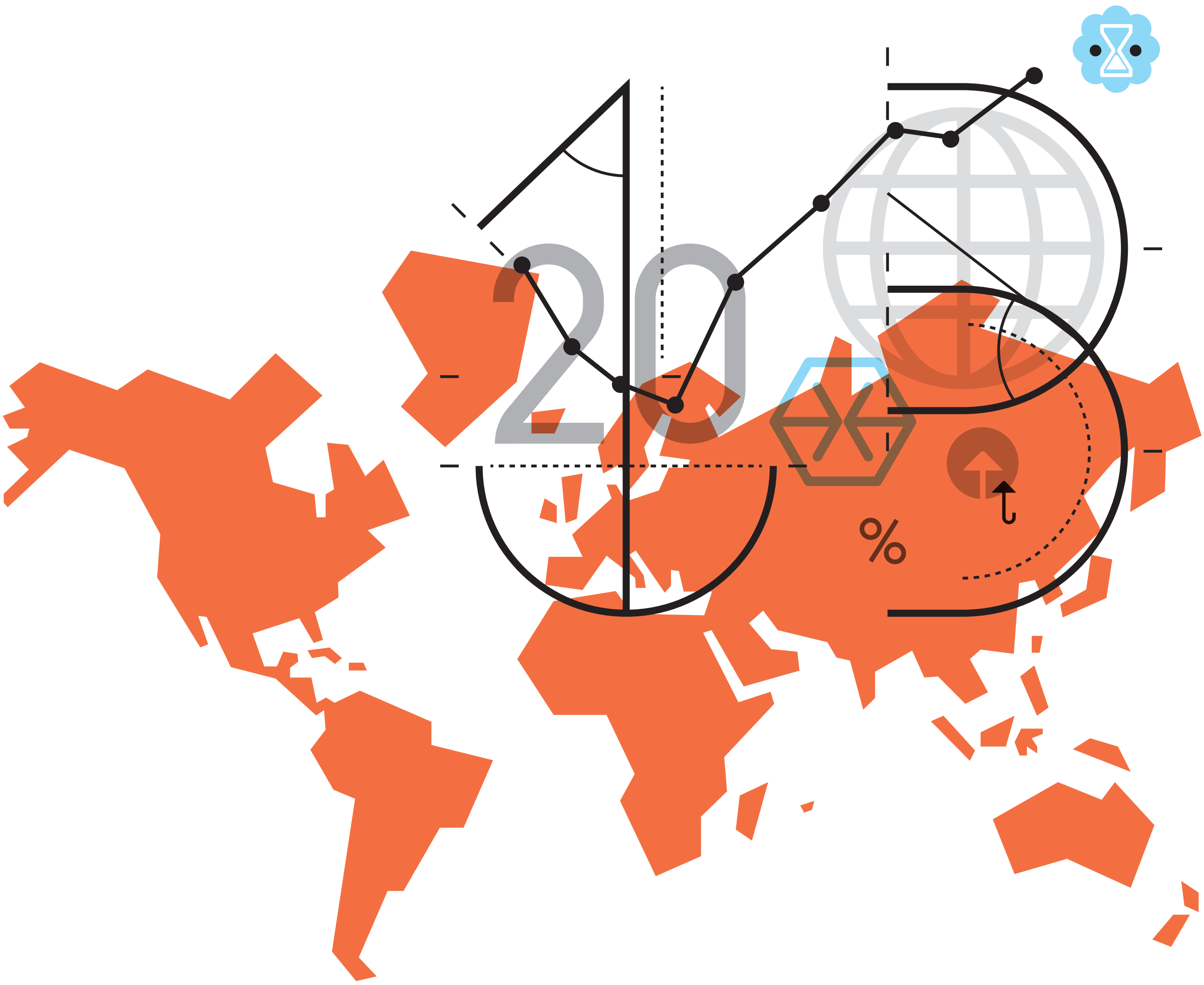
Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 49 in volume three



Investec risk and Basel Pillar III disclosures report 2013
volume two

Out of the Ordinary®

Investec

Corporate information

Investec plc and Investec Limited

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Investec Limited

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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Ernst & Young Inc.

Transfer secretaries in the UK

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United Kingdom
Telephone (44) 870 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
Samuel E Abrahams
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland*
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

* *Appointed on 1 March 2013.*

For contact details for Investec offices internationally refer to pages 122 and 123 in volume three.

For queries regarding information in this document

Investor Relations

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About this report

The 2013 integrated annual report covers the period 1 April 2012 to 31 March 2013 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback, invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For the year ended 31 March 2013, Investec plc and Investec Bank plc were regulated by the UK Financial Services Authority (FSA).However, on 1 April 2013 the FSA was abolished and the majority of its functions transferred to two new regulators: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). On the same date, the Bank of England (BoE) took over the FSA's responsibilities for financial market infrastructures and a Financial Policy Committee (FPC) was established on a statutory basis in the UK. Going forward, IBP will be authorised by the PRA and regulated by the FCA and the PRA. Kensington, Investec Wealth & Investment and Investec Asset Management will be authorised and regulated by the FCA. Accordingly, all references to the UK regulator in this annual report are to the FCA and PRA.

volume **one**

Investec overview, governance, sustainability and remuneration report

volume **two**

Investec risk and Basel Pillar III disclosures report

volume **three**

Investec financials and shareholder information report

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on the inside back cover

Page references

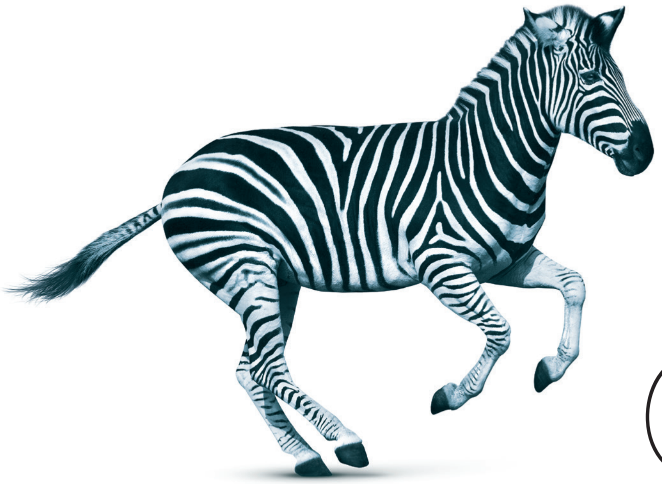
Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com



Contents

1

Risk and Basel Pillar III disclosures

Risk and Basel Pillar III disclosures

Group Risk Management objectives are to:

- Be the custodian of our risk management culture
- Ensure the business operates within the board stated risk appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- 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
- Coordinate 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.

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report

on pages 5 to 97 with further disclosures provided within the financial statements section in volume three.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed on are marked as audited.

The majority of the group's Pillar III risk disclosures as required in terms of Regulation 43 of the regulations relating to banks in South Africa and BIPRU 11 pertaining to banks in the UK are also included in this section of the annual report.

Information provided in this section of the annual report is prepared on an Investec DLC consolidated basis (i.e. incorporating the results of Investec plc and Investec Limited), unless otherwise stated. The group also publishes Pillar III and other risk information for its 'silo' entity holding companies and its significant banking subsidiaries. This information is contained in the respective annual financial statements for those respective entities.

Philosophy and approach to risk management

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 monitors, manages and reports on our risks to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee. Business units are ultimately responsible for 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 and 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.

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

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 18 to 20 in volume one.

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 executive 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 largely by realised economic value-added profit

performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied within the group 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 sound financial strength and integrity, a core competency and an established track record. Impairments on loans and advances decreased from £325.1 million to £251.0 million. The UK reported a moderate decrease whilst impairments in Australia were £50 million lower than the prior year. The South African business reported a marginal increase in impairments in Rand. Since 31 March 2012 the level of defaults has improved with the percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounting to 2.73% (2012: 3.31%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.26 times (2012: 1.37 times). The credit loss charge as a percentage of average gross core loans and advances has improved from 1.12% at 31 March 2012 to 0.84%
- Limited exposure to structured credit investments; representing approximately 1.5% of total assets
- Limited private client and corporate client exposures to peripheral Europe amounting to approximately 0.7% of total assets. In addition the group has certain branch related and subsidiary activities in Ireland, with total assets representing 2% of group assets
- A low leverage (gearing) ratio of 11.2 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with level 3 assets amounting to 2.0% of total assets
- Low equity and investment risk exposure with total investments comprising 3.7% 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 when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.3% of total operating income
- A high level of readily available, high quality liquid assets; cash and near cash of £9.8 billion, representing 32.9% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a growing retail franchise
- Healthy capital ratios; we have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. We continue to meet our capital targets
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Geographic summary of the year in review from a risk perspective

Detailed information on key developments during the financial year in review is provided in the sections that follow:

Refer to pages 17 and 18, page 57 and pages 72 and 73, with a high level geographic summary of the most salient aspects provided below.

UK and Other

Credit risk

Against a difficult economic background we continued to rebalance our lending portfolios in line with our risk appetite statement and focussing on a reduction in property/real estate as a proportion of our loan exposures. Non-property collateralised lending as a percentage of gross credit exposures has increased. Core loans and advances increased by 4.4% from £5.8 billion at 31 March 2012 to £6.0 billion at 31 March 2013. Default loans (net of impairments) have decreased from 4.92% as at March 2012 to 4.34% of core loans and advances. The credit loss ratio is at 1.26%.

Traded market risk

Despite the difficult environment in the UK, there has been continued growth in client activity across the interest rate and foreign exchange corporate sales desk although other trading opportunities were limited. The structured equity desk's retail product sales have remained strong and they continue to develop their product range. Equity market making has expanded its coverage of stocks.

Balance sheet risk

The bank entered the year with a healthy surplus liquidity position, which increased during the year mainly due to retail deposits. This was managed down over the course of the year, returning to a similar surplus as at the beginning of the year. Throughout the first portion of the year, retail one year and two year fixed rate products continued to attract significant deposit inflows. As liquidity grew, rates were reduced to stem excessive inflows. Furthermore, the bank entered the wholesale markets with a three year £178 million syndicated bank club loan in June 2012 and a £200 million UK residential mortgage securitisation in September 2012. Cash and near cash balances as at 31 March 2013 amounted to £3.9 billion (2012: £3.6 billion) with total customer deposits increasing by 1.1% during the year to £9.6 billion. The bank in the UK currently comfortably meets its regulatory liquidity requirements and will progress to implement the forthcoming liquidity proposals included in the CRD IV (Basel III) package. The bank is currently shadowing and comfortably meeting the draft Liquidity Coverage and Net Stable Funding ratios. We will continue to monitor these rules until final implementation.

Southern Africa

Credit risk

Core loans and advances grew by 10.2% to R141.9 billion with commercial real estate investments and residential owner occupied portfolios representing the majority of the growth for the financial year in review. There has been continuing adherence to lower loan to value lending and greater competitive pressure on margins. Default loans (net of impairments) as a percentage of core loans and advances improved from 2.73% to 1.89% with an improvement in both lending collateralised by property and the private client portfolio as certain problem loans have been settled or some written off.

The corporate client portfolio had a small number of defaulted counterparties where the decision was made to write off the exposures in the financial year in review due

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year.

to low probability of recovery. The credit loss ratio improved to 0.61% from 0.65%.

Traded market risk

Market conditions have remained difficult for traders as client flow has not improved significantly. While equity markets have trended up this has been on low volumes and volatility has remained low all year. Forex and interest rate markets have seen more volatility though this has been mainly on the back of international market drivers. The impact of the Basel regulations has caused the cost of capital in the trading area to increase at least three fold, this has adding to the constraints on traders' level of risk taking.

Balance sheet risk

Investec's balance sheet was well positioned for the 50bps rate cut that took place in July 2012 and the net contribution to income was significantly positive. Investec continued to build its structural liquidity cash resources over the course of the year as part of our drive to improve the Basel III Liquidity Coverage Ratio to be implemented from 2015. The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 5.2% from 1 April 2012 to R185.3 billion at 31 March 2013. Cash and near cash balances increased by 5.6% from 1 April 2012 to R73.0 billion at 31 March 2013. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totalling R11.8 billion. Syndicated loan deals raised about US$335 million three-year funds. Investec also issued its first EMTN and raised US$300 million for five years. Further welcome news was the announcement of the softening of some of the Basel III guidelines on liquidity risk in the last quarter and this has placed Investec in a very favourable position to meet the new criteria with less of a negative impact on margins.

Australia

Credit risk

Core loans and advances increased by 10.0% from A$3.0 billion at 31 March 2012 to A$3.3 billion at 31 March 2013. Default loans (net of impairments) increased marginally from 1.70% to 2.13% of core loans and advances, with the credit loss ratio improving significantly from 3.13% to 0.85%. Our Professional Finance business continues to show consistent growth to become the largest segment of the Investec Australia loan book, and has maintained historically low levels of arrears and defaults.

Traded market risk

Australian trading activity remains modest, with limited appetite for traded market risk exposures. Client activity is higher than in previous years on the back of improved deal activity, but remains somewhat sporadic.

Balance sheet risk

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with average cash and near cash balances amounting to A$1.2 billion. Total customer deposits increased by 4.3% from 1 April 2012 to A$2.5 billion at 31 March 2013, which included an active diversification strategy across funding channels. In respect of liquidity, the Australian Prudential Regulatory Authority (APRA) is still formulating a response to recent proposed changes to the Liquidity Coverage Ratio measure recently recommended by the Basel Committee on Banking Supervision (BCBS). The bank in Australia remains committed to implementing the BCBS guidelines for liquidity risk measurement.

Salient features

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

	UK and Other		Southern Africa		Australia		Investec group	
Year to 31 March	2013 £	2012 £	2013 R	2012 R	2013 A$	2012 A$	2013 £	2012 £
Net core loans and advances (million)	6 045	5 788	141 863	128 747	3 304	3 005	18 415	18 226
Gross defaults as a % of gross core loans and advances	7.04%	7.35%	2.82%	3.71%	2.91%	2.31%	4.24%	4.73%
Defaults (net of impairments) as a % of net core loans and advances	4.34%	4.92%	1.89%	2.73%	2.13%	1.70%	2.73%	3.31%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–	–	–	–	–
Credit loss ratio*	1.26%	1.22%	0.61%	0.65%	0.85%	3.13%	0.84%	1.12%
Structured credit investments as a % of total assets	2.44%	2.85%	1.24%	0.80%	0.46%	1.55%	1.72%	1.65%
Banking book investment and equity risk exposures as a % of total assets	2.52%	2.03%	4.96%	4.89%	2.56%	1.65%	3.65%	3.39%
Traded market risk: one-day value at risk (million)	0.7	0.6	7.2	4.2	–	–	n/a	n/a
Cash and near cash (million)	3 930	3 565	72 974	69 077	978	1 555	9 828	10 251
Customer accounts (deposits) (million)	9 561	9 459	185 311	176 094	2 472	2 370	24 532	25 344
Core loans to equity ratio	3.7x^	3.5x^	5.8x	5.8x	5.4x	5.0x	4.6x	4.5x
Total gearing/leverage ratio**	10.7x^	10.8x^	12.2x	12.2x	7.8x	8.7x	11.2x	11.3x
Core loans (excluding own originated assets which have been securitised) to customer deposits	68.9%^	65.4%^	73.2%	69.6%	104.7%	92.0%	71.3%	67.8%
Capital adequacy ratio	16.9%^	17.5%^	15.5%	16.1%	15.8%	17.5%	n/a	n/a
Tier 1 ratio	11.0%^	11.6%^	10.8%	11.6%	11.8%	14.6%	n/a	n/a

* *Income statement impairment charge on core 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.*

An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations.

These risks have been highlighted on page 32 in volume one.

The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties not presently identified by us or that we currently deem immaterial may in the future also negatively impact our business operations.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level, as described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board.

A diagram of our governance and risk framework is provided on page 82 in volume one.

The group committees and forums listed below have mandated certain committees and forums within the jurisdictions in which the group operates to support them in their objectives

Committee	Function
Audit committees Members: Non-executive directors Chairman: Samuel Abrahams (non-executive director) Frequency: • DLC audit committee – four times a year • Investec Limited and group audit committee – four times a year • Investec plc audit committee – four times a year	• See pages 90 and 93 in volume one. • The Internal Audit, Compliance and Operational Risk departments report to the audit committees.
Board risk and capital committee (BRCC) Members: Executive and non-executive directors (senior management by invitation) Chairman: Stephen Koseff (CEO) Frequency: Six times a year	• See pages 95 and 96 in volume one.
DLC capital committee Members: Executive and non-executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: At least quarterly	• See page 97 in volume one.
Executive risk review forum (ERRF) Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	• See page 96 in volume one.
Global credit committee Members: Executive directors and senior management Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Twice a week	• Considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis • Considers the level of acceptable counterparty and geographical exposures within the board approved risk appetite framework • Reviews and approves changes to credit policies and methodologies.
Group investment committee Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	• Is responsible for reviewing and approving: – acquisitions or disposals of strategic investments in which we act as principal and retain an equity interest (above pre-determined thresholds); and – capital expenditure or disposals (above pre-determined thresholds).

Risk management (continued)

<table>
<tr><th>Committee</th><th>Function</th></tr>
<tr><td>Group deal forum
Members: Executive directors and senior management. Non-executive directors have a level of oversight which is exercised within the applicable committee
Chairman: Glynn Burger (group risk and finance director)
Frequency: Weekly</td><td>• Considers, approves and mitigates the risks inherent in any new product or other non-standard transactions that we are considering.</td></tr>
<tr><td>Group market risk forum
Members: Global heads of risk, market risk and the trading desks; senior management; members of the Market Risk teams and other members of Group Risk Management
Chairman: Mark Trollip (global head of market risk)
Frequency: Weekly</td><td>• Reviews and recommends limit adjustments in all existing products and markets across all desks in the group
• Recommends limits for new products and new markets
• Recommends methodology as to how risks are measured.</td></tr>
<tr><td>Global compliance forum
Members: Compliance representatives of the Investec Limited and Investec plc businesses
Chairman: Bradley Tapnack; Alternate: Kathryn Farndell and Richard Brearley
Frequency: Bi-annually and on ad hoc request</td><td>• Review and approval of all group compliance policies across Investec Limited and Investec plc businesses
• Establishing and standardising of group standards where applicable
• Escalation of policies to ERRF and the board for approval as required.</td></tr>
<tr><td>Asset and liability committee (ALCO)
Members: Executive directors, senior management, economist, treasurer, business heads and head of asset and liability management
Chairman: Glynn Burger
Frequency: Monthly (or ad hoc if required)</td><td>• Recommends and monitors our funding and liquidity policy and non-trading interest rate risk policy, which translates into a suite of limits that define our risk appetite
• Directs the implementation of the methodology, techniques, models and risk measures for liquidity and interest rate risk management
• Reviews the structure of our balance sheet and business strategies, taking into account market conditions, including stress tests
• Maintains liquidity contingency plans
• The responsibilities of the liability product and pricing forum (a sub-committee of ALCO) are:
– to coordinate and approve pricing of all liabilities issued and other group funding entities so as to achieve the most appropriate funding mix at the best possible cost within the balance sheet targets as set by ALCO;
– to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance;
– to monitor existing products, terms and rates;
– to reprice or close products where appropriate; and
– to evaluate continuously the external rates environment including competitor analysis.</td></tr>
<tr><td>Global operational risk committee
Members: Global heads of operational risk, global heads of risk, global specialist banking, asset management and wealth and investment senior management
Chairman: Bradley Tapnack (global head of compliance and internal audit)
Frequency: Half-yearly</td><td>• Provides support to BRCC and ERRF in the management of operational risk
• Approval of strategy for the management of operational risk within Investec plc and Investec Limited
• Recommends and approves the operational risk management framework, policies and appetite.</td></tr>
<tr><td>Group legal risk forum
Members: Executive directors, senior management and divisional legal managers
Chairman: David Nurek (global head of legal risk)
Frequency: Half-yearly (or ad hoc if required)</td><td>• Considers and manages legal risks throughout the group.</td></tr>
</table>

In the sections that follow the following abbreviations are used on numerous occasions:

BRCC Board risk and capital committee
ERRF Executive risk review forum
FSA Financial Services Authority
SARB South African Reserve Bank
APRA Australian Prudential Regulatory Authority
ALCO Asset and liability committee
PRA Prudential Regulatory Authority
FCA Financial Conduct Authority

Integrated global risk management structure

Group risk and finance director	Glynn Burger
Head of risk South Africa	Kevin Kerr
Head of risk UK	Ian Wohlman
Head of risk Australia	Peter Binetter

Divisional and geographic roles	Global	UK and Other	South Africa	Australia
Credit Risk	Ian Wohlman/ Kevin Kerr	Ian Wohlman/ Gary Laughton	Justin Cowley	Peter Binetter
Market Risk	Mark Trollip	Nick Sheppard	Adrienne Betts	Adam Rapeport
Balance Sheet Risk Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Adam Rapeport
Operational Risk	Chandre Griesel	Brian Johnson	Chandre Griesel	Shirley Snoyman
Legal Risk	David Nurek	Richard Brearley	David Nurek	Stephen Chipkin
Internal Audit	Bradley Tapnack	Noel Sumner	Stuart Mansfield	Aik Leow
Compliance	Bradley Tapnack	Richard Brearley	Kathryn Farndell	Chris Fintan

Credit and counterparty risk management

Credit and counterparty risk description

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. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - 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 governance structure

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision making forums. It is our policy that all centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the group credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans for private clients.

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

Credit and counterparty risk appetite

There is a preference for primary exposure in the group's three main operating geographies i.e. South Africa, UK and Australia. The group will accept exposures where we have a branch/banking business. The group will also tolerate exposures to other countries where it has core capabilities.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations.

Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 39 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, state owned enterprises and banks. Corporates must have scale, experienced management, able board members and strong earnings/cash flow. Interbank lending is largely reserved for those banks and institutions in the group's core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands on' and longstanding relationship with our clients.

In certain instances we have elected to sell certain assets down and/or securitise them (refer to pages 44 to 51 for further information).

Concentration risk

Credit risk concentration exists when large exposures exist to a particular counterparty or group of connected counterparties, or to a particular geography, asset class or industry. Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and transaction basis by Group Risk and the various business units. Concentration risk can also exist where a number of counterparties are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic, legal, regulatory or other conditions. The board sets a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to ERFF and BRCC on an ongoing basis. Should there be any breaches to limits or where exposures are nearing limits these exceptions are specifically highlighted for attention and action.

Sustainability considerations

Overview

Investec has a broadly based approach to sustainability, which runs beyond recognising our own footprint on the environment, our many CSI activities and our funding and investing activities. This is not merely for business reasons but based on a broader responsibility to our environment and society. Accordingly, sustainable risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental considerations
- Social considerations
- Economic considerations.

Refer to our sustainability report on our website.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents and implemented by Group Credit.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

The relevant credit committee/s within Investec will also consider wrong-way risk at the time of granting credit for specific products to each counterparty. Specific wrong-way risk occurs where exposure to a counterparty is positively correlated with the counterparty's probability of default due to the nature of transactions with the counterparty. In other words, the mark to market value of a transaction and the likelihood of the counterparty defaulting increase at the same time.

Investec completes scenario tests on its loan portfolio with regard to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. We mainly place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available as support. Within the credit approval process internal and external ratings are included in the assessment of the client quality.

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as a means of assessing the risk of rated portfolios. Ongoing development of internal rating models has progressed in the project finance, private bank property-related transactions, corporate, bank and financial institutions areas of operation.

Fitch, Standard and Poor's, Moody's and DBRS have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's, Standard and Poor's and DBRS have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and Standard and Poor's are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

The group applies the Standardised approach for capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank Registrar, in the respective geographies in which the group operates.

Credit and counterparty risk – nature of lending activities

Credit and counterparty risk is assumed mainly through lending collateralised by property and lending activities by private and corporate clients, although some credit and counterparty risk does arise in other businesses.

Lending collateralised by property

We provide senior debt and other funding for property transactions. Income producing assets account for the majority of exposure to lending collateralised by property. The portfolio is predominantly made up of commercial property collateral.

Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security value ratios.

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 36 and 37.

Private Client activities

We target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high income earning potential, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Lending products are targeted to meet the requirements of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been grouped and defined to include high net worth clients (who through diversification of income streams will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- Personal Banking delivers products to enable target clients to create and manage their wealth, private client mortgages, transactional banking, high net worth lending, trust and fiduciary, offshore banking and foreign exchange
- Residential Mortgages provides mortgage loan facilities for high income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- Specialised Lending provides structured credit facilities to high net worth individuals and their controlled entities
- The Professional Finance team creates innovative products specifically designed to meet the personal and professional finance needs of predominantly medical, dental and accounting professionals. This enables these clients to maximise their personal wealth through cash management and investment opportunities.

An analysis of the private client loan portfolio and asset quality information is provided on pages 36 and 37.

Corporate Client activities

We focus on traditional bank lending activities, as well as treasury and trading services that are customer flow related.

The treasury function, as part of the daily management of liquidity, places funds with central banks and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature in Southern Africa, the UK, Europe, Australia and the US. A rigorous internal assessment process, supported by rating agency information, is undertaken to analyse each counterparty to which we may be potentially exposed to ascertain their credit worthiness.

Our trading portfolio consists of positions in interest rates, foreign exchange and equities. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the corporate lending businesses, credit risk can arise from asset finance, project and infrastructure finance, resource finance, corporate loans, growth and acquisition finance, asset based lending, fund finance, debt origination, credit investments and securitisation activities. There are approved limits specifying the maximum exposure to each individual counterparty and industry limits, to minimise concentration risk. Facilities are secured on the assets of the underlying entity. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying cash flow and security. Political risk insurance is taken where deemed appropriate. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis.

Assets we are involved in are diverse, and centre around our areas of expertise including mortgages, resources, aircraft, equipment leasing, corporate credit, project and infrastructure finance. Any assets originated are required to be of very strong credit quality that we are happy to hold on balance sheet to maturity, or purchased at sufficiently low distressed prices that we are happy to hold these assets on balance sheet to maturity because of low imputed loan to value ratios and strong cash flows.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- Small Ticket Asset Finance: provides lending to corporates to support asset purchases and other business requirements
- Large Ticket Asset Finance: provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior loans with a combination of corporate and asset backed collateral against the exposure
- Project and Infrastructure Finance: arranges and provides financing for infrastructure assets, such as power, transport, social infrastructure (PFI/private public partnerships) and telecommunications
- Resource Finance: debt arranging and underwriting, together with structured hedging solutions
- Corporate Loans: provides mostly senior loans to mid and large cap corporates. In the UK these are usually part of a larger facility participating with other banks either as transaction leader or support
- Growth and Acquisition Finance: provides debt funding to proven management teams, running small to mid-market sized companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business both historic and against forecasts
- Asset Based Lending provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, accounts receivable, inventory, plant and machinery. We also provide advances against cash flow or other assets such as committed income or rights
- Fund Finance provides bespoke credit facilities to segregated funds to facilitate investment opportunities prior to institutional cash calls which the fund has on irrevocable commitments. Fund Finance will also support management companies in their co-investment requirements
- Credit Investments: makes credit investments in the primary and secondary markets for both investment (accrual) and arbitrage purposes, generating annuity margin income and investment income. All investment transactions are approved in advance and subject to rigorous stress testing
- Securitisation: structuring and sale of financial assets, mostly in the form of sale to special purpose entities which issue securities to investors.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 36 and 37.

Corporate Advisory and Investment Activities

Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits.

Settlement trades are all on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is entirely an agency business that takes no principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, are monitored daily, and trades are usually settled within two days.

Asset Management

Investec Asset Management regularly transacts with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a movement in the value of the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in Southern Africa, the UK, Europe and the US.

Asset quality analysis – credit risk classification and provisioning policy

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

As Investec has a low appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, primarily over tangible assets.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Risk mitigants include any collateral item, covenant or term and condition imposed on a transaction with the aim of reducing the credit risk inherent to that transaction.

As Investec has a low appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, primarily over tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on page 39.

Where a transaction is supported by a bond or charge over property, the primary credit risk is still taken on the borrower. When applications for facilities to be secured by property are submitted to the relevant committee, the following characteristics of the property are considered: type of property; location of property; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreements, the credit committee will attempt to match the period of the loan to the identifiable term of leases.

The bulk of collateral provided by private clients is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our increased focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. In addition, the relevant credit committee may require a suretyship or guarantee in support of a transaction.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares.

The majority of credit mitigation techniques linked to trading activity is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where netting agreements have been signed and the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements should be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists
- There is the ability to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank in the UK will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography, in these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of credit derivatives outstanding at 31 March 2013 amounts to £8.9 million, of which £4.1 million is used for credit mitigation purposes and the balance for trading and investment. Total protection bought amounts to £4.2 million (£3.7 million relating to credit derivatives used in credit mitigation) and total protection sold amounts to £3.0 million (£0.4 million relating to credit derivatives used in credit mitigation).

Further information on credit derivatives is provided on page 58.

Investec endeavours to implement robust processes to minimise the possibility of legal and/or operational risk in the taking of collateral. The independent legal risk function in Investec ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio cognisance is taken of the types of collateral and credit protection that form part of the portfolio.

Credit and counterparty risk year in review

UK and Other

Against a difficult economic background, we continued to rebalance the lending portfolios in line with our risk appetite statement and in particular focussing on a reduction in property/real estate as a proportion of our total loan exposures. Our lending activity in structured property lending remained muted as we actively managed this portfolio down. Exposure to lending collateralised by property in the higher risk category of planning and development continued to reduce year-on-year by 14.6%. Lending supported by proven cash flows rather than asset value propositions continues to be favoured. Most property collateralised assets are located in the UK. Our exposure to Irish domiciled assets has been under intensive management for the past four years and non-performing assets have been substantially impaired (48% of the non-performing Irish assets have been impaired and we consider this level to be prudent and adequate). Non-property collateralised lending as a percentage of gross credit exposures has increased.

Further information is provided in the economic section on pages 26 to 29 in volume one.

Core loans and advances increased by 4.4% from £5.8 billion at 31 March 2012 to £6.0 billion at 31 March 2013.

Default loans (net of impairments) have decreased from 4.92% to 4.34% of core loans and advances. The credit loss ratio is at 1.26%.

Private Client gross default loans (before collateral and impairments) increased marginally year-on-year largely due to a handful of clients experiencing financial difficulty with no other major changes in general trends reflected in the private client portfolio.

Defaults in corporate loans were higher than in 2012. Activity levels were weak. European corporates started feeling the pressure of subdued economic activity, increased tax charges and government austerity measures (including Greece, Netherlands and Ireland) began feeding through into mainstream consumption figures, reducing spending power. Activity levels for new corporate lending in the second half of the financial year remained subdued due to the ongoing euro zone crisis.

There was a decrease in the Kensington impairment charge following last year's one-off increase as a result of our adoption of new UK Regulator guidelines relating to forbearance provisioning methodology. The overall Kensington arrears position showed slow steady improvement and the legacy book continued to decrease in size. The Irish mortgage book continued to deteriorate in the first half-year due to the economic and political environment in the country; however, the second half saw signs of stabilisation in house prices have started to appear.

The Group Risk division has continued to work closely with the business units to manage the impact of the increased risks in the market and resultant pressure on our lending portfolios. The key focus of the Group Risk division has been on proactive book management (together with the business units), repositioning some of our portfolio's asset mixes as well as taking advantage of opportunities that have arisen as a result of dislocated markets.

Southern Africa

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

Further information is provided in the economic section on pages 26 to 29 in volume one.

Against this backdrop, core loans and advances grew by 10.2% to R141.9 billion with commercial real estate investments and residential owner occupied portfolios representing the majority of the growth for the financial year in review.

There has been continuing adherence to lower loan to value lending and greater competitive pressure on margins.

Default loans (net of impairments) as a percentage of core loans and advances improved from 2.73% to 1.89% with an improvement in both lending collateralised by property and the private client portfolio as some transactions have been settled and some written off. The corporate client portfolio had a small number of defaulted counterparties where the decision was made to write off the exposures in the financial year in review due to low probability of recovery.

The credit loss ratio improved to 0.61% from 0.65%.

The majority of the historical defaults were recorded in the lending collateralised by property portfolio and largely comprise a relatively small number of clients where development finance was provided at reasonable loan to values but with no serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay. Managing certain of these defaulted property developments in order to maximise recoveries is taking longer than originally anticipated.

Australia

Core loans and advances increased by 10.0% from A$3.0 billion at 31 March 2012 to A$3.3 billion at 31 March 2013. Default loans (net of impairments) increased marginally from 1.70% to 2.13% of core loans and

Credit and counterparty exposures decreased by 1.0% to £40.3 billion largely as a result of the depreciation of the Rand against Pound Sterling.

advances, with the credit loss ratio improving significantly from 3.13% to 0.85%.

Our non-core property collateralised loan portfolio has continued to run down; this has been offset to some extent by an increase in defaults in our Growth and Acquisition Finance activities. Additionally, our general performing collateralised property exposures have been managed down to lower levels.

Our Professional Finance business continues to show consistent growth to become the largest segment of the Investec Australia loan book, and has maintained historically low levels of arrears and defaults.

Investec Australia's Asset Finance business continues to grow, following the acquisition of Alliance Equipment Finance in July 2012. This granular asset finance book is well diversified and shows relatively low levels of defaults.

Credit risk regulatory considerations

Following on from the South African Reserve Bank's (SARB) adoption of Basel 2.5 as of January 2012, January 2013 saw further (and more significant) amendments to the South African Banks Act in order to bring it in line with the Basel Committee on Banking Supervision's (BCBS) Basel III Framework. Investec's credit capital holding has thus been amended where necessary in order to comply with the revised regulations. While Basel III has far-reaching impact in terms of liquidity and capital supply, the impact on credit risk capital is limited to relatively small, specific portfolios of assets, specifically over-the-counter (OTC) derivatives and securitisation exposure. The impact of the implementation of Basel III in South Africa has thus far had a muted impact on credit capital, with changes to disclosure successfully implemented as of January 2013.

The most noteworthy change in credit capital as a result of Basel III is the introduction of an additional capital charge against OTC derivatives, referred to as CVA or Credit Valuation Adjustment. The introduction of CVA seeks to enhance risk coverage, and is an attempt at capturing the risk of large mark to market losses incurred by many large financial institutions during the financial crisis where credit spreads on debt instruments widened substantially, even without deterioration in the credit quality and ratings of the counterparties. This charge is in keeping with the BCBS's mandate of reducing systemic risk within the banking system, creating a disincentive for banks to engage in OTC derivative transactions, and rather encouraging the adoption of exchange-traded instruments where possible, which offer greater transparency and risk mitigation for the parties involved. These changes are largely due to come into effect in 2014.

Given the implementation of Basel III in South Africa by the Reserve Bank, Investec, together with other major banks, continues to engage with SARB through the Banking Association of South Africa (BASA) on matters of interpretation, particularly in light of the delay in the implementation of Basel III in the US and Europe. In line with Investec's prudent risk management and governance frameworks, we will continue to engage with the regulator and seek to adopt market best practice in accordance with these regulatory amendments.

Credit and counterparty risk information

Pages 4 to 18 describe where and how credit risk is assumed in our operations.

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

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 1.0% to £40.3 billion largely as a result of the depreciation of the Rand against Pound Sterling. Cash and near cash balances decreased by 4.1% to £9.8 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, sovereign debt securities.

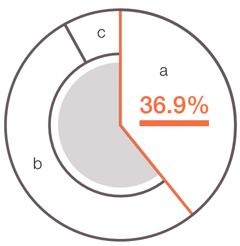
As at 31 March

£'000	2013	2012	% change	Average*
Cash and balances at central banks	1 779 576	2 593 813	(31.4%)	2 186 695
Loans and advances to banks	3 129 646	2 725 347	14.8%	2 927 497
Non-sovereign and non-bank cash placements	420 960	642 480	(34.5%)	531 720
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 672	975 992	>100.0%	1 667 332
Sovereign debt securities	4 077 217	4 067 093	0.2%	4 072 155
Bank debt securities	1 879 105	3 081 061	(39.0%)	2 480 083
Other debt securities	452 189	364 976	23.9%	408 583
Derivative financial instruments	1 531 187	1 489 835	2.8%	1 510 511
Securities arising from trading activities	552 504	369 408	49.6%	460 956
Loans and advances to customers (gross)	17 773 761	17 461 667	1.8%	17 617 714
Own originated loans and advances to customers securitised (gross)	931 406	1 035 913	(10.1%)	983 659
Other loans and advances (gross)	1 762 037	2 380 037	(26.0%)	2 071 037
Other securitised assets (gross)	49 988	67 350	(25.8%)	58 669
Other assets	137 647	43 087	>100.0%	90 367
Property and equipment	4 726	19 761	(76.1%)	12 244
Total on-balance sheet exposures	36 840 621	37 317 820	(1.3%)	37 079 221
Guarantees^	580 971	510 975	13.7%	545 973
Contingent liabilities, committed facilities and other	2 904 681	2 921 977	(0.6%)	2 913 329
Total off-balance sheet exposures	3 485 652	3 432 952	1.5%	3 459 302
Total gross credit and counterparty exposures pre collateral or other credit enhancements	40 326 273	40 750 772	(1.0%)	40 538 523

* *Where the average is based on a straight-line average.*

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

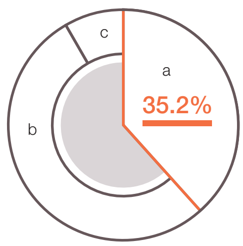
An analysis of gross credit and counterparty exposures by geography



31 March 2013

£40 326 million

a	UK and Other	36.9%
b	Southern Africa	55.1%
c	Australia	8.0%



31 March 2012

£40 751 million

a	UK and Other	35.2%
b	Southern Africa	56.5%
c	Australia	8.3%

An analysis of gross credit and counterparty exposures by geography

As at 31 March £'000	UK and Other		Southern Africa		Australia		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Cash and balances at central banks	1 228 289	1 655 796	406 764	757 993	144 523	180 024	1 779 576	2 593 813
Loans and advances to banks	1 226 201	985 728	1 818 269	1 671 152	85 176	68 467	3 129 646	2 725 347
Non-sovereign and non-bank cash placements	–	–	420 960	642 480	–	–	420 960	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	1 223 251	522 180	1 135 421	453 812	–	–	2 358 672	975 992
Sovereign debt securities	1 365 464	1 415 446	2 416 839	2 419 823	294 914	231 824	4 077 217	4 067 093
Bank debt securities	275 173	294 383	1 423 904	2 256 509	180 028	530 169	1 879 105	3 081 061
Other debt securities	170 994	87 363	258 689	195 753	22 506	81 860	452 189	364 976
Derivative financial instruments	618 462	519 391	838 512	836 675	74 213	133 769	1 531 187	1 489 835
Securities arising from trading activities	459 732	243 187	84 503	119 337	8 269	6 884	552 504	369 408
Loans and advances to customers (gross)	6 220 626	5 940 213	9 822 215	10 095 893	1 730 920	1 425 561	17 773 761	17 461 667
Own originated loans and advances to customers (gross)	–	–	439 653	500 912	491 753	535 001	931 406	1 035 913
Other loans and advances (gross)	1 425 064	2 046 423	336 973	333 614	–	–	1 762 037	2 380 037
Other securitised assets (gross)	49 988	67 350	–	–	–	–	49 988	67 350
Other assets	78 141	2 390	59 506	40 697	–	–	137 647	43 087
Property and equipment	4 726	19 761	–	–	–	–	4 726	19 761
Total on-balance sheet credit and counterparty exposures	14 346 111	13 799 611	19 462 208	20 324 650	3 032 302	3 193 559	36 840 621	37 317 820
Guarantees^	22 521	24 325	519 376	454 653	39 075	31 997	580 971	510 975
Contingent liabilities, committed facilities and other	491 112	522 845	2 250 810	2 234 600	162 761	164 532	2 904 681	2 921 977
Total off-balance sheet exposures	513 633	547 170	2 770 186	2 689 253	201 836	196 529	3 485 652	3 432 952
Total gross credit and counterparty exposures pre collateral or other credit enhancements	14 859 744	14 346 781	22 232 394	23 013 903	3 234 138	3 390 088	40 326 273	40 750 772

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2013				
Cash and balances at central banks	1 779 576	2 871		1 782 447
Loans and advances to banks	3 129 646	–		3 129 646
Non-sovereign and non-bank cash placements	420 960	–		420 960
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 672	–		2 358 672
Sovereign debt securities	4 077 217	–		4 077 217
Bank debt securities	1 879 105	–		1 879 105
Other debt securities	452 189	5 463		457 652
Derivative financial instruments	1 531 187	451 384		1 982 571
Securities arising from trading activities	552 504	379 099		931 603
Investment portfolio	–	960 364	1	960 364
Loans and advances to customers	17 773 761	(289 237)	2	17 484 524
Own originated loans and advances to customers securitised	931 406	(957)	2	930 449
Other loans and advances	1 762 037	355 706	3	2 117 743
Other securitised assets	49 988	2 832 604	4	2 882 592
Interest in associated undertakings	–	27 950		27 950
Deferred taxation assets	–	165 457		165 457
Other assets	137 647	1 822 791	5	1 960 438
Property and equipment	4 726^	121 812		126 538
Investment properties	–	451 975		451 975
Goodwill	–	466 906		466 906
Intangible assets	–	178 567		178 567
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 226 142		6 226 142
Total on-balance sheet exposures	36 840 621	14 158 897		50 999 518

^ *Reflects future receivables in respect of assets subject to operating lease contracts.*

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 40 to 43.*
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 limit 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 maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 48 to 51. 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.*
5. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2012				
Cash and balances at central banks	2 593 813	38		2 593 851
Loans and advances to banks	2 725 347	–		2 725 347
Non-sovereign and non-bank cash placements	642 480	–		642 480
Reverse repurchase agreements and cash collateral on securities borrowed	975 992	–		975 992
Sovereign debt securities	4 067 093	–		4 067 093
Bank debt securities	3 081 061	–		3 081 061
Other debt securities	364 976	12 856		377 832
Derivative financial instruments	1 489 835	423 815		1 913 650
Securities arising from trading activities	369 408	270 738		640 146
Investment portfolio	–	890 702	1	890 702
Loans and advances to customers	17 461 667	(269 459)	2	17 192 208
Own originated loans and advances to customers securitised	1 035 913	(1 739)	2	1 034 174
Other loans and advances	2 380 037	449 152	3	2 829 189
Other securitised assets	67 350	3 034 072	4	3 101 422
Interest in associated undertakings	–	27 506		27 506
Deferred taxation assets	–	150 381		150 381
Other assets	43 087	1 759 034	5	1 802 121
Property and equipment	19 761^	151 924		171 685
Investment properties	–	407 295		407 295
Goodwill	–	468 320		468 320
Intangible assets	–	192 099		192 099
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 265 846		6 265 846
Total on-balance sheet exposures	37 317 820	14 232 580		51 550 400

^ *Reflects future receivables in respect of assets subject to operating lease contracts.*

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 40 to 43.*
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 limit 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 maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 48 to 51. 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.*
5. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity as at 31 March 2013

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	1 779 576	–	–	–	–	–	1 779 576
Loans and advances to banks	2 677 184	34 424	98 756	254 019	33 768	31 495	3 129 646
Non-sovereign and non-bank cash placements	420 960	–	–	–	–	–	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	2 139 847	5 827	42 486	73 949	96 563	–	2 358 672
Sovereign debt securities	1 258 306	801 930	333 751	518 350	391 106	773 774	4 077 217
Bank debt securities	101 151	200 989	265 096	1 155 762	156 107	–	1 879 105
Other debt securities	34 868	–	8 042	297 447	111 832	–	452 189
Derivative financial instruments	239 341	100 126	47 822	784 683	254 617	104 598	1 531 187
Securities arising from trading activities	177 628	–	3	268 390	9 636	96 847	552 504
Loans and advances to customers	2 281 551	1 385 502	1 864 856	8 084 875	1 703 055	2 453 922	17 773 761
Own originated loans and advances to customers securitised	29 137	16 509	51 934	428 890	51 591	353 345	931 406
Other loans and advances	56	4 312	–	70 558	938	1 686 173	1 762 037
Other securitised assets	–	–	–	–	–	49 988	49 988
Other assets	104 486	16 566	826	15 769	–	–	137 647
Property and equipment	954	743	846	2 183	–	–	4 726
Total on-balance sheet exposures	11 245 045	2 566 928	2 714 418	11 954 875	2 809 213	5 550 142	36 840 621
Guarantees	57 689	89 661	33 451	181 027	21 636	197 507	580 971
Contingent liabilities, committed facilities and other	418 138	102 408	466 530	722 966	116 081	1 078 558	2 904 681
Total off-balance sheet exposures	475 827	192 069	499 981	903 993	137 717	1 276 065	3 485 652
Total gross credit and counterparty exposures pre collateral or other credit enhancements	11 720 872	2 758 997	3 214 399	12 858 868	2 946 930	6 826 207	40 326 273

Detailed analysis of gross credit and counterparty exposures by industry as at 31 March 2013

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	1 779 576	–	–
Loans and advances to banks	–	–	–	–	–	3 129 646
Non-sovereign and non-bank cash placements	–	7 178	–	–	24 141	131 814
Reverse repurchase agreements and cash collateral on securities borrowed	29 613	–	8 532	–	–	2 275 552
Sovereign debt securities	–	–	–	4 077 217	–	–
Bank debt securities	–	–	–	–	–	1 879 105
Other debt securities	–	–	10 579	–	–	315 771
Derivative financial instruments	9 402	107	22 582	4 674	10 500	1 314 171
Securities arising from trading activities	–	–	260	480 506	–	50 212
Loans and advances to customers (gross)	10 627 793	84 674	495 769	251 737	819 896	897 390
Own originated loans and advances to customers securitised (gross)	931 406	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	209 395
Other securitised assets (gross)	–	–	–	–	–	27 544
Other assets	62	–	24	–	–	115 944
Property and equipment	–	–	8	32	2 192	809
Total on-balance sheet exposures	11 598 276	91 959	537 754	6 593 742	856 729	10 347 353
Guarantees	286 352	–	11 851	42	1 690	4 672
Contingent liabilities, committed facilities and other	2 008 185	14 320	46 244	5 878	99 721	58 400
Total off-balance sheet exposures	2 294 537	14 320	58 095	5 920	101 411	63 072
Total gross credit and counterparty exposures pre collateral or other credit enhancements	13 892 813	106 279	595 849	6 599 662	958 140	10 410 425

Retailers and wholesalers	Manufacturing and commerce	Construction	Commercial real estate	Residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport and communication	Total
–	–	–	–	–	–	–	–	1 779 576
–	–	–	–	–	–	–	–	3 129 646
90 180	94 750	2 380	–	–	41 520	–	28 997	420 960
–	40 073	–	–	–	–	–	4 902	2 358 672
–	–	–	–	–	–	–	–	4 077 217
–	–	–	–	–	–	–	–	1 879 105
12 554	–	7 270	47 387	–	42 786	–	15 842	452 189
15 396	21 005	24 268	90 357	–	6 826	3 498	8 401	1 531 187
6 858	–	–	–	–	8 500	–	6 168	552 504
529 823	973 981	101 724	1 136 859	–	379 151	228 761	1 246 203	17 773 761
–	–	–	–	–	–	–	–	931 406
–	–	–	–	1 552 586	–	–	56	1 762 037
–	–	–	22 444	–	–	–	–	49 988
–	187	–	20 558	–	697	–	175	137 647
528	426	65	248	–	11	1	406	4 726
655 339	1 130 422	135 707	1 317 853	1 552 586	479 491	232 260	1 311 150	36 840 621
36 241	17 918	79 556	994	–	127 394	13 131	1 130	580 971
54 763	77 531	4 971	57 008	–	189 066	25 331	263 263	2 904 681
91 004	95 449	84 527	58 002	1 552 586	316 460	38 462	264 393	3 485 652
746 343	1 225 871	220 234	1 375 855	1 552 586	795 951	270 722	1 575 543	40 326 273

Detailed analysis of gross credit and counterparty exposures by industry as at 31 March 2012

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	2 413 753	–	180 060
Loans and advances to banks	–	–	–	–	367	2 724 980
Non-sovereign and non-bank cash placements	–	8 170	–	–	29 683	103 241
Reverse repurchase agreements and cash collateral on securities borrowed	2 996	–	–	3 476	–	969 520
Sovereign debt securities	–	–	–	3 890 011	–	177 082
Bank debt securities	–	–	–	–	–	3 081 061
Other debt securities	–	–	–	9 010	–	205 347
Derivative financial instruments	1 817	124	20 600	–	11 017	1 282 143
Securities arising from trading activities	–	–	–	256 974	–	108 268
Loans and advances to customers (gross)	12 049 126	50 046	474 685	217 031	431 421	799 931
Own originated loans and advances to customers securitised (gross)	1 035 913	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	474 282
Other securitised assets (gross)	–	–	–	–	–	34 800
Other assets	–	–	–	–	–	43 087
Property and equipment	–	398	442	1 101	5 390	1 035
Total on-balance sheet exposures	13 089 852	58 738	495 727	6 791 356	477 878	10 184 837
Guarantees	334 484	–	5 879	48	1 622	8 578
Contingent liabilities, committed facilities and other	2 123 797	–	45 302	17 683	45 214	137 770
Total off-balance sheet exposures	2 458 281	–	51 181	17 731	46 836	146 348
Total gross credit and counterparty exposures pre collateral or other credit enhancements	15 548 133	58 738	546 908	6 809 087	524 714	10 331 185

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Commercial real estate	Residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport and com-munication	Total
–	–	–	–	–	–	–	–	2 593 813
–	–	–	–	–	–	–	–	2 725 347
183 162	208 865	14 155	–	–	66 569	–	28 635	642 480
–	–	–	–	–	–	–	–	975 992
–	–	–	–	–	–	–	–	4 067 093
–	–	–	–	–	–	–	–	3 081 061
33 788	–	6 831	75 691	–	8 354	12 313	13 642	364 976
16 645	22 800	17 118	93 102	–	8 446	4 565	11 458	1 489 835
2 086	1 880	–	–	–	200	–	–	369 408
432 205	849 478	85 927	782 779	–	310 040	229 299	749 699	17 461 667
–	–	–	–	–	–	–	–	1 035 913
–	–	–	–	1 905 755	–	–	–	2 380 037
–	–	–	32 550	–	–	–	–	67 350
–	–	–	–	–	–	–	–	43 087
2 569	4 375	553	1 633	–	–	330	1 935	19 761
670 455	1 087 398	124 584	985 755	1 905 755	393 609	246 507	805 369	37 317 820
4 169	15 364	17 819	–	–	110 866	8 575	3 571	510 975
29 448	82 823	32 762	16 861	–	165 337	29 620	195 360	2 921 977
33 617	98 187	50 581	16 861	–	276 203	38 195	198 931	3 432 952
704 072	1 185 585	175 165	1 002 616	1 905 755	669 812	284 702	1 004 300	40 750 772

Private client loans account for 61.8% of total gross core loans and advances, as represented by the industry classification 'HNW and professional individuals'.

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending we undertake is provided on page 12, and a more detailed analysis of the private client loan portfolio is provided on pages 36 and 37.

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

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 clients.

A description of the type of corporate client lending we undertake, is provided on pages 12 and 13, and a more detailed analysis of the corporate client loan portfolio is provided on pages 36 and 37.

As at 31 March £'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	2013	2012	2013	2012	2013	2012
HNW and professional individuals	11 559 199	13 085 039	2 333 614	2 463 094	13 892 813	15 548 133
Agriculture	84 674	50 046	21 605	8 692	106 279	58 738
Electricity, gas and water (utility services)	495 769	474 685	100 080	72 223	595 849	546 908
Public and non-business services	251 737	217 031	6 347 925	6 592 056	6 599 662	6 809 087
Business services	819 896	431 421	138 244	93 293	958 140	524 714
Finance and insurance	897 390	799 931	9 513 035	9 531 254	10 410 425	10 331 185
Retailers and wholesalers	529 823	432 205	216 520	271 867	746 343	704 072
Manufacturing and commerce	973 981	849 478	251 890	336 107	1 225 871	1 185 585
Construction	101 724	85 927	118 510	89 238	220 234	175 165
Commercial real estate	1 136 859	782 779	238 996	219 837	1 375 855	1 002 616
Residential mortgages	–	–	1 552 586	1 905 755	1 552 586	1 905 755
Mining and resources	379 151	310 040	416 800	359 772	795 951	669 812
Leisure, entertainment and tourism	228 761	229 299	41 961	55 403	270 722	284 702
Transport and communication	1 246 203	749 699	329 340	254 601	1 575 543	1 004 300
Total	18 705 167	18 497 580	21 621 106	22 253 192	40 326 273	40 750 772

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

Calculation of core loans and advances to customers

As at 31 March £'000	2013	2012
Loans and advances to customers as per the balance sheet	17 484 524	17 192 208
Add: own originated loans and advances securitised as per the balance sheet	930 449	1 034 174
Net core loans and advances to customers	18 414 973	18 226 382

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

An overview of developments during the financial year is provided on pages 16 to 18.

£'000	31 March 2013	31 March 2012
Gross core loans and advances to customers	18 705 167	18 497 580
Total impairments	(290 194)	(271 198)
Portfolio impairments	(15 531)	(20 159)
Specific impairments	(274 663)	(251 039)
Net core loans and advances to customers	18 414 973	18 226 382
Average gross core loans and advances to customers	18 601 373	18 783 594
Current loans and advances to customers	17 646 205	17 231 735
Past due loans and advances to customers (1 – 60 days)	177 080	290 513
Special mention loans and advances to customers	89 691	100 561
Default loans and advances to customers	792 191	874 771
Gross core loans and advances to customers	18 705 167	18 497 580
Current loans and advances to customers	17 646 205	17 231 735
Default loans that are current and not impaired	12 398	10 632
Gross core loans and advances to customers that are past due but not impaired	359 034	523 369
Gross core loans and advances to customers that are impaired	687 530	731 844
Gross core loans and advances to customers	18 705 167	18 497 580
Total income statement charge for core loans and advances	(156 727)	(225 687)
Gross default loans and advances to customers	792 191	874 771
Specific impairments	(274 663)	(251 039)
Portfolio impairments	(15 531)	(20 159)
Defaults net of impairments	501 997	603 573
Collateral and other credit enhancements	634 309	827 572
Net default loans and advances to customers (limited to zero)	–	–
Ratios		
Total impairments as a % of gross core loans and advances to customers	1.55%	1.47%
Total impairments as a % of gross default loans	36.63%	31.00%
Gross defaults as a % of gross core loans and advances to customers	4.24%	4.73%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.73%	3.31%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.84%	1.12%

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

£'000	UK and Other 31 March 2013	UK and Other 31 March 2012	Southern Africa 31 March 2013	Southern Africa 31 March 2012	Australia 31 March 2013	Australia 31 March 2012	Total group 31 March 2013	Total group 31 March 2012
Gross core loans and advances to customers	6 220 626	5 940 213	10 261 868	10 596 805	2 222 673	1 960 562	18 705 167	18 497 580
Total impairments	(175 563)	(152 086)	(97 004)	(106 858)	(17 627)	(12 254)	(290 194)	(271 198)
Portfolio impairments	(5 000)	(1 668)	(8 835)	(16 948)	(1 696)	(1 543)	(15 531)	(20 159)
Specific impairments	(170 563)	(150 418)	(88 169)	(89 910)	(15 931)	(10 711)	(274 663)	(251 039)
Net core loans and advances to customers	6 045 063	5 788 127	10 164 864	10 489 947	2 205 046	1 948 308	18 414 973	18 226 382
% of total	32.8%	31.7%	55.2%	57.6%	12.0%	10.7%	100.0%	100.0%
% change since 31 March 2012	4.4%	–	(3.1%)	–	13.2%	–	1.0%	–
Average gross core loans and advances to customers	6 080 420	5 835 990	10 429 335	10 915 488	2 091 618	2 032 116	18 601 373	18 783 594
Current loans and advances to customers	5 641 901	5 278 440	9 864 944	10 053 758	2 139 360	1 899 537	17 646 205	17 231 735
Past due loans and advances to customers (1 – 60 days)	113 724	215 758	45 731	60 460	17 625	14 295	177 080	290 513
Special mention loans and advances to customers	26 972	9 411	61 724	89 727	995	1 423	89 691	100 561
Default loans and advances to customers	438 029	436 604	289 469	392 860	64 693	45 307	792 191	874 771
Gross core loans and advances to customers	6 220 626	5 940 213	10 261 868	10 596 805	2 222 673	1 960 562	18 705 167	18 497 580
Current core loans and advances to customers	5 641 901	5 278 440	9 864 944	10 053 758	2 139 360	1 899 537	17 646 205	17 231 735
Default loans that are current and not impaired	8 006	–	4 392	10 632	–	–	12 398	10 632
Gross core loans and advances to customers that are past due but not impaired	146 038	230 488	181 101	266 745	31 895	26 136	359 034	523 369
Gross core loans and advances to customers that are impaired	424 681	431 285	211 431	265 670	51 418	34 889	687 530	731 844
Gross core loans and advances to customers	6 220 626	5 940 213	10 261 868	10 596 805	2 222 673	1 960 562	18 705 167	18 497 580
Total income statement charge for core loans and advances	(76 902)	(88 489)	(61 976)	(69 326)	(17 849)	(67 872)	(156 727)	(225 687)
Gross default loans and advances to customers	438 029	436 604	289 469	392 860	64 693	45 307	792 191	874 771
Specific impairments	(170 563)	(150 418)	(88 170)	(89 910)	(15 931)	(10 711)	(274 663)	(251 039)
Portfolio impairments	(5 000)	(1 668)	(8 834)	(16 948)	(1 696)	(1 543)	(15 531)	(20 159)
Defaults net of impairments	262 466	284 518	192 465	286 002	47 066	33 053	501 997	603 573
Collateral and other credit enhancements	306 490	311 329	277 988	480 460	49 831	35 783	634 309	827 572
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

£'000	UK and Other 31 March 2013	UK and Other 31 March 2012	Southern Africa 31 March 2013	Southern Africa 31 March 2012	Australia 31 March 2013	Australia 31 March 2012	Total group 31 March 2013	Total group 31 March 2012
Ratios								
Total impairments as a % of gross core loans and advances to customers	2.82%	2.56%	0.95%	1.01%	0.79%	0.63%	1.55%	1.47%
Total impairments as a % of gross default loans	40.08%	34.83%	33.51%	27.20%	27.25%	27.05%	36.63%	31.00%
Gross defaults as a % of gross core loans and advances to customers	7.04%	7.35%	2.82%	3.71%	2.91%	2.31%	4.24%	4.73%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.34%	4.92%	1.89%	2.73%	2.13%	1.70%	2.73%	3.31%
Net defaults as a % of core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	1.26%	1.22%	0.61%	0.65%	0.85%	3.13%	0.84%	1.12%

An age analysis of past due and default core loans and advances to customers

As at 31 March £'000	2013	2012
Default loans that are current	471 582	461 086
1 – 60 days	232 980	347 693
61 – 90 days	50 153	52 386
91 – 180 days	34 868	61 864
181 – 365 days	50 339	62 197
>365 days	219 040	280 619
Past due and default core loans and advances to customers (actual capital exposure)	1 058 962	1 265 845
1 – 60 days	61 830	57 159
61 – 90 days	5 087	26 273
91 – 180 days	6 910	22 847
181 – 365 days	30 215	28 106
>365 days	178 083	227 802
Past due and default core loans and advances to customers (actual amount in arrears)	282 125	362 187

A further age analysis of past due and default 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 31 March 2013							
Watchlist loans neither past due nor impaired							
Total capital exposure	12 398	–	–	–	–	–	12 398
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	225 029	48 424	26 251	15 987	43 343	359 034
Amount in arrears	–	58 419	4 768	5 161	9 184	32 262	109 794
Gross core loans and advances to customers that are impaired							
Total capital exposure	459 184	7 951	1 729	8 617	34 352	175 697	687 530
Amount in arrears	–	3 411	319	1 749	21 031	145 821	172 331
As at 31 March 2012							
Watchlist loans neither past due nor impaired							
Total capital exposure	10 632	–	–	–	–	–	10 632
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	341 236	50 361	42 529	24 499	64 744	523 369
Amount in arrears	–	54 816	25 504	15 673	18 320	51 928	166 241
Gross core loans and advances to customers that are impaired							
Total capital exposure	450 454	6 457	2 025	19 335	37 698	215 875	731 844
Amount in arrears	–	2 343	769	7 174	9 786	175 874	195 946

An age analysis of past due and default core loans and advances to customers as at 31 March 2013 (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)	–	177 080	–	–	–	–	177 080
Special mention	–	38 473	41 644	1 459	5 648	2 467	89 691
Special mention (1 – 90 days)	–	38 473	5 699	1 459*	5 648*	2 467*	53 746
Special mention (61 – 90 days and item well secured)	–	–	35 945	–	–	–	35 945
Default	471 582	17 427	8 509	33 409	44 691	216 573	792 191
Sub-standard	147 164	9 488	6 781	24 986	10 339	54 251	253 009
Doubtful	159 365	7 730	1 728	8 330	34 326	160 463	371 942
Loss	165 053	209	–	93	26	1 859	167 240
Total	471 582	232 980	50 153	34 868	50 339	219 040	1 058 962

* *Largely 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 are 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 past due and default core loans and advances to customers as at 31 March 2013 (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)	–	21 627	–	–	–	–	21 627
Special mention	–	35 131	3 223	73	5 198	473	44 098
Special mention (1 – 90 days)	–	35 131	1 360	73*	5 198*	473*	42 235
Special mention (61 – 90 days and item well secured)	–	–	1 863	–	–	–	1 863
Default	–	5 072	1 864	6 837	25 017	177 610	216 400
Sub-standard	–	1 657	1 546	5 191	3 986	33 915	46 295
Doubtful	–	3 298	318	1 623	21 005	141 836	168 080
Loss	–	117	–	23	26	1 859	2 025
Total	–	61 830	5 087	6 910	30 215	178 083	282 125

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (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)	–	290 513	–	–	–	–	290 513
Special mention	–	35 488	42 178	7 164	5 795	9 936	100 561
Special mention (1 – 90 days)	–	35 488	9 495	7 164*	5 795*	9 936*	67 878
Special mention (61 – 90 days and item well secured)	–	–	32 683	–	–	–	32 683
Default	461 086	21 692	10 208	54 700	56 402	270 683	874 771
Sub-standard	187 427	831	7 835	28 728	33 585	24 703	283 109
Doubtful	129 879	20 861	2 373	25 972	22 817	245 980	447 882
Loss	143 780	–	–	–	–	–	143 780
Total	461 086	347 693	52 386	61 864	62 197	280 619	1 265 845

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (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)	–	13 992	–	–	–	–	13 992
Special mention	–	33 430	17 666	4 402	4 103	7 899	67 500
Special mention (1 – 90 days)	–	33 430	6 614	4 402*	4 103*	7 899*	56 448
Special mention (61 – 90 days and item well secured)	–	–	11 052	–	–	–	11 052
Default	–	9 737	8 607	18 445	24 003	219 903	280 695
Sub-standard	–	458	7 835	9 040	14 718	20 627	52 678
Doubtful	–	9 279	772	9 405	9 285	199 276	228 017
Loss	–	–	–	–	–	–	–
Total	–	57 159	26 273	22 847	28 106	227 802	362 187

* *Largely 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 are 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 impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2013								
Current core loans and advances	17 646 205	–	–	17 646 205	–	(14 620)	17 631 585	–
Past due (1 – 60 days)	–	177 080	–	177 080	–	(181)	176 899	21 629
Special mention	–	89 691	–	89 691	–	(715)	88 976	44 096
Special mention (1 – 90 days)	–	53 746	–	53 746	–	(635)	53 111	42 233
Special mention (61 – 90 days and item well secured)	–	35 945	–	35 945	–	(80)	35 865	1 863
Default	12 398	92 263	687 530	792 191	(274 663)	(15)	517 513	216 400
Sub-standard	10 398	92 263	150 348	253 009	(32 542)	(10)	220 457	46 295
Doubtful	2 000	–	369 942	371 942	(157 530)	(5)	214 407	168 080
Loss	–	–	167 240	167 240	(84 591)	–	82 649	2 025
Total	17 658 603	359 034	687 530	18 705 167	(274 663)	(15 531)	18 414 973	282 125
As at 31 March 2012								
Current core loans and advances	17 231 735	–	–	17 231 735	–	(17 571)	17 214 164	–
Past due (1 – 60 days)	–	290 513	–	290 513	–	(270)	290 243	13 992
Special mention	–	100 561	–	100 561	–	(650)	99 911	67 500
Special mention (1 – 90 days)	–	67 878	–	67 878	–	(531)	67 347	56 448
Special mention (61 – 90 days and item well secured)	–	32 683	–	32 683	–	(119)	32 564	11 052
Default	10 632	132 295	731 844	874 771	(251 039)	(1 668)	622 064	280 695
Sub-standard	3 029	74 242	205 838	283 109	(35 792)	–	247 317	52 678
Doubtful	7 603	58 053	382 226	447 882	(127 953)	–	319 929	228 017
Loss	–	–	143 780	143 780	(87 294)	(1 668)	54 818	–
Total	17 242 367	523 369	731 844	18 497 580	(251 039)	(20 159)	18 226 382	362 187

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

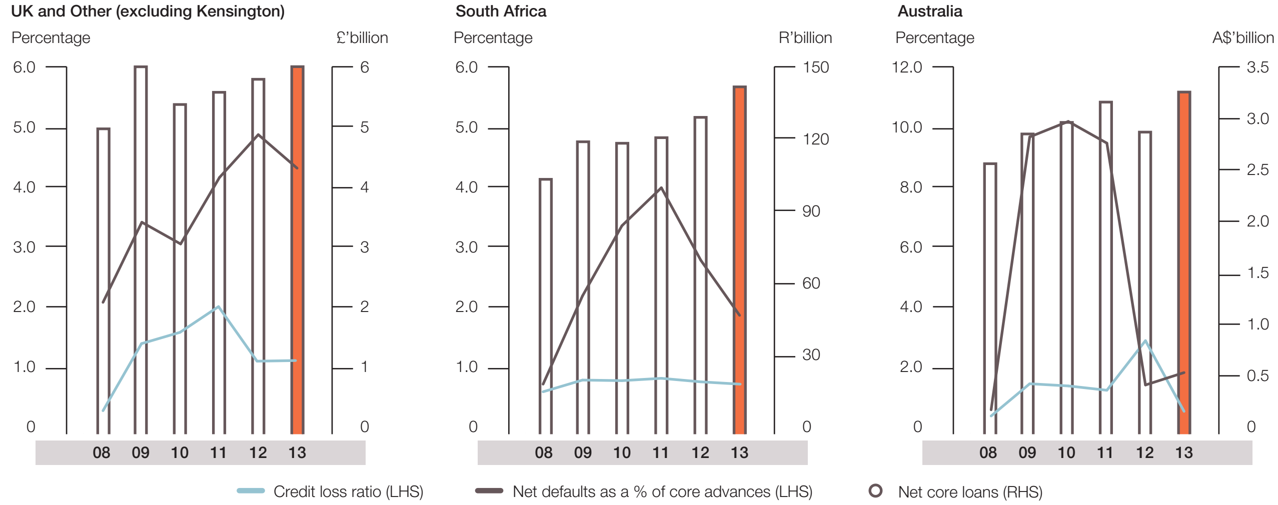
£'000	Private client, professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
As at 31 March 2013						
Current core loans and advances	10 754 920	5 583 880	877 141	251 223	179 041	17 646 205
Past due (1 – 60 days)	119 379	50 214	–	–	7 487	177 080
Special mention	68 067	20 940	–	–	684	89 691
Special mention (1 – 90 days)	50 607	3 139	–	–	–	53 746
Special mention (61 – 90 days and item well secured)	17 460	17 801	–	–	684	35 945
Default	616 833	147 388	20 249	514	7 207	792 191
Sub-standard	216 676	36 126	–	–	207	253 009
Doubtful	234 908	109 271	20 249	514	7 000	371 942
Loss	165 249	1 991	–	–	–	167 240
Total gross core loans and advances to customers	11 559 199	5 802 422	897 390	251 737	194 419	18 705 167
Total impairments	(231 326)	(53 309)	(375)	(327)	(4 857)	(290 194)
Specific impairments	(222 654)	(46 761)	(64)	(327)	(4 857)	(274 663)
Portfolio Impairments	(8 672)	(6 548)	(311)	–	–	(15 531)
Net core loans and advances to customers	11 327 873	5 749 113	897 015	251 410	189 562	18 414 973
As at 31 March 2012						
Current core loans and advances	11 986 334	4 028 388	797 029	216 307	203 677	17 231 735
Past due (1 – 60 days)	240 083	41 972	1 788	–	6 670	290 513
Special mention	96 830	538	–	–	3 193	100 561
Special mention (1 – 90 days)	67 878	–	–	–	–	67 878
Special mention (61 – 90 days and item well secured)	28 952	538	–	–	3 193	32 683
Default	761 792	102 050	1 114	724	9 091	874 771
Sub-standard	264 845	18 153	–	–	111	283 109
Doubtful	353 167	83 897	1 114	724	8 980	447 882
Loss	143 780	–	–	–	–	143 780
Total gross core loans and advances to customers	13 085 039	4 172 948	799 931	217 031	222 631	18 497 580
Total impairments	(223 286)	(34 288)	(7 678)	(491)	(5 455)	(271 198)
Specific impairments	(215 061)	(24 351)	(5 748)	(424)	(5 455)	(251 039)
Portfolio Impairments	(8 225)	(9 937)	(1 930)	(67)	–	(20 159)
Net core loans and advances to customers	12 861 753	4 138 660	792 253	216 540	217 176	18 226 382

An analysis of default core loans and advances as at 31 March 2013

	UK and Other				Southern Africa			
£'000	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments
Lending collateralised by property	2 510 740	346 863	229 758	(144 949)	2 949 453	162 938	153 158	(54 784)
Commercial real estate	1 580 412	106 142	68 565	(51 624)	2 725 310	78 410	87 230	(22 213)
Commercial real estate – investment	1 360 655	41 903	36 911	(8 761)	2 420 481	66 980	77 354	(16 328)
Commercial real estate – development	86 692	14 805	8 276	(8 189)	154 615	971	537	(635)
Commercial vacant land and planning	133 065	49 434	23 378	(34 674)	150 214	10 459	9 339	(5 250)
Residential real estate	930 328	240 721	161 193	(93 325)	224 143	84 528	65 928	(32 571)
Residential real estate – investment	398 610	35 842	34 489	(8 529)	–	–	–	–
Residential real estate – development	399 586	134 205	82 452	(57 309)	80 999	7 166	5 722	(2 590)
Residential vacant land and planning	132 132	70 674	44 252	(27 487)	143 144	77 362	60 206	(29 981)
High net worth and other private client lending	1 032 619	31 748	44 993	(6 629)	4 148 836	69 264	83 071	(18 938)
Mortgages (owner occupied)	598 644	1 587	945	(499)	2 693 085	49 326	58 439	(11 916)
High net worth and specialised lending	353 909	28 554	43 427	(5 144)	1 455 356	19 938	24 632	(7 022)
Professional finance	80 066	1 607	621	(986)	395	–	–	–
Corporate and other lending	2 677 267	59 418	31 738	(23 985)	3 163 578	57 267	41 759	(23 281)
Acquisition finance	757 001	21 098	9 166	(11 932)	1 087 778	29 228	22 678	(9 761)
Asset based lending	169 610	–	–	–	168 438	7 207	2 590	(4 857)
Fund finance	293 321	–	–	–	–	–	–	–
Other corporate loans	240 727	6 006	–	(1 043)	1 329 096	12 361	7 157	(7 508)
Asset finance	772 902	21 120	15 809	(5 311)	237 846	–	–	(439)
Small ticket asset finance	504 458	7 745	3 093	(4 652)	72 374	–	–	–
Large ticket asset finance	268 444	13 375	12 716	(659)	165 472	–	–	(439)
Project finance	407 920	11 194	6 764	(5 699)	188 905	8 471	9 334	(717)
Resource finance and commodities	35 786	–	–	–	151 516	–	–	–
Total core loans and advances	6 220 626	438 029	306 490	(175 563)	10 261 868	289 469	277 988	(97 004)

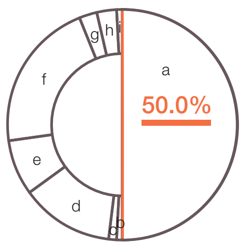
Australia				Total group			
Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments
223 125	39 692	27 765	(12 851)	5 683 318	549 493	410 681	(212 584)
137 053	17 831	10 264	(8 491)	4 442 775	202 383	166 059	(82 328)
133 049	17 831	10 264	(8 491)	3 914 185	126 714	124 529	(33 580)
212	–	–	–	241 519	15 776	8 813	(8 824)
3 792	–	–	–	287 071	59 893	32 717	(39 924)
86 072	21 861	17 501	(4 360)	1 240 543	347 110	244 622	(130 256)
1 888	1 350	1 350	–	400 498	37 192	35 839	(8 529)
49 645	–	–	–	530 230	141 371	88 174	(59 899)
34 539	20 511	16 151	(4 360)	309 815	168 547	120 609	(61 828)
1 405 697	7 835	6 259	(3 403)	6 587 152	108 847	134 323	(28 970)
9 262	–	–	–	3 300 991	50 913	59 384	(12 415)
77 101	3 542	3 022	(651)	1 886 366	52 034	71 081	(12 817)
1 319 334	4 293	3 237	(2 752)	1 399 795	5 900	3 858	(3 738)
593 851	17 166	15 807	(1 373)	6 434 696	133 851	89 304	(48 639)
203 945	17 083	15 710	(1 373)	2 048 724	67 409	47 554	(23 066)
–	–	–	–	338 048	7 207	2 590	(4 857)
49 578	–	–	–	342 899	–	–	–
150 323	–	–	–	1 720 146	18 367	7 157	(8 551)
56 221	58	58	–	1 066 969	21 178	15 867	(5 750)
34 609	58	58	–	611 441	7 803	3 151	(4 652)
21 612	–	–	–	455 528	13 375	12 716	(1 098)
85 369	–	–	–	682 194	19 665	16 098	(6 416)
48 415	25	39	–	235 717	25	39	–
2 222 673	64 693	49 831	(17 627)	18 705 167	792 191	634 309	(290 194)

Asset quality trends



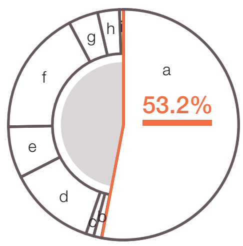
Additional information

An analysis of gross core loans and advances to customers by country of exposures



31 March 2013
£18 705 million

a	South Africa	50.0%
b	Africa (excluding RSA)	1.0%
c	Asia	1.2%
d	Australia	13.0%
e	Europe (excluding UK)	7.7%
f	United Kingdom	21.0%
g	Europe (Non-EU)	2.7%
h	North America	2.8%
i	Other	0.6%



31 March 2012
£18 498 million

a	South Africa	53.2%
b	Africa (excluding RSA)	1.2%
c	Asia	1.0%
d	Australia	12.1%
e	Europe (excluding UK)	7.4%
f	United Kingdom	17.5%
g	Europe (Non-EU)	4.1%
h	North America	3.1%
i	Other	0.4%

Collateral

A summary of total collateral

£'000	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 31 March 2013			
Eligible financial collateral	2 624 867	1 962 016	4 586 883
Listed shares	2 404 170	801 920	3 206 090
Cash	220 697	826 467	1 047 164
Debt securities issued by sovereigns	–	333 629	333 629
Mortgage bonds	17 057 263	1 256 547	18 313 810
Residential mortgages	7 354 156	1 254 825	8 608 981
Residential development	727 057	–	727 057
Commercial property development	935 353	1 722	937 075
Commercial property investments	8 040 697	–	8 040 697
Other collateral	9 623 664	115 057	9 738 721
Unlisted shares	1 315 037	–	1 315 037
Bonds other than mortgage bonds	536 544	33 782	570 326
Debtors, stock and other corporate assets	2 794 513	–	2 794 513
Guarantees	1 348 085	51 400	1 399 485
Credit derivatives	–	4 050	4 050
Other	3 629 485	25 825	3 655 310
Total collateral	29 305 794	3 333 620	32 639 414
As at 31 March 2012			
Eligible financial collateral	2 313 351	208 012	2 521 363
Listed shares	2 079 575	191 074	2 270 649
Cash	233 776	16 938	250 714
Mortgage bonds	19 089 855	1 110 610	20 200 465
Residential mortgages	7 731 966	1 109 372	8 841 338
Residential development	868 833	–	868 833
Commercial property development	1 092 290	1 238	1 093 528
Commercial property investments	9 396 766	–	9 396 766
Other collateral	8 029 594	72 545	8 102 139
Unlisted shares	1 261 143	–	1 261 143
Bonds other than mortgage bonds	537 484	–	537 484
Debtors, stock and other corporate assets	3 458 491	–	3 458 491
Guarantees	924 641	60 163	984 804
Other	1 847 835	12 382	1 860 217
Total collateral	29 432 800	1 391 167	30 823 967

* *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 represents a moderate percentage of our total assets and is managed within appropriate risk limits.

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:

- 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 with the intention to stimulate corporate activity. South Africa, we also continue to pursue opportunities to help create and grow black-owned and controlled companies
- Lending transactions: 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 Central Funding is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

Management of equity and investment risk

As equity and investment risk arise from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee, the Investec Bank Limited Direct Investments division investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa and ERRF
Central Funding investments	Investment committee and ERRF

Stress testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to page 24 in volume three and pages 58 to 64 in volume three for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 2.0% of total assets.

Refer to page 59 in volume three for further information.

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

For the year to 31 March 2013 £'000 Country/category	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
Unlisted investments	16 473	36 901	13 747	67 121	(695)
UK and Other	7 934	1 113	2 177	11 224	(2 620)
Southern Africa	9 043	35 771	11 570	56 384	1 925
Australia	(504)	17	–	(487)	–
Listed equities	(36 517)	13 256	1 064	(22 197)	(3 534)
UK and Other	(6 639)	(196)	822	(6 013)	(4 774)
Southern Africa	(27 666)	13 405	2	(14 259)	–
Australia	(2 212)	47	240	(1 925)	1 240
Investment and trading properties^	(10 688)	59 888	–	49 200	–
UK and Other	–	202	–	202	–
Southern Africa	(9 599)	59 438	–	49 839	–
Australia	(1 089)	248	–	(841)	–
Warrants, profit shares and other embedded derivatives	32 968	2 762	–	35 730	–
UK and Other	29 821	–	–	29 821	–
Southern Africa	3 147	2 762	–	5 909	–
Australia	–	–	–	–	–
Total	2 236	112 807	14 811	129 854	(4 229)

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50.01%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

For the year ended 31 March 2012 £'000 Country/category	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
Unlisted investments	24 390	71 959	35 268	131 617	1 690
UK and Other	18 070	24 689	1 303	44 062	2 286
Southern Africa	6 386	46 079	33 810	86 275	–
Australia	(66)	1 191	155	1 280	(596)
Listed equities	(26 863)	(3 422)	1 050	(29 235)	(1 859)
UK and Other	(3 140)	1 541	587	(1 012)	828
Southern Africa	(23 723)	(5 311)	547	(28 487)	–
Australia	–	348	(84)	264	(2 687)
Investment and trading properties^	18 141	(10 812)	915	8 244	–
UK and Other	(11)	2 737	779	3 505	–
Southern Africa	18 152	(3 232)	136	15 056	–
Australia	–	(10 317)	–	(10 317)	–
Warrants, profit shares and other embedded derivatives	(2 228)	9 110	1 648	8 530	–
UK and Other	–	–	1 648	1 648	–
Southern Africa	(2 228)	9 110	–	6 882	–
Australia	–	–	–	–	–
Total	13 440	66 835	38 881	119 156	(169)

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50.1%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

Unrealised revaluation gains through profit and loss 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. The amount included in tier 2 capital for Investec plc is £7 million.

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 2013	Valuation change stress test 2013*	On-balance sheet value of investments 2012	Valuation change stress test 2012*
Unlisted investments	872 099	130 815	778 894	116 834
UK and Other	328 662	49 299	280 183	42 027
Southern Africa	536 699	80 505	493 607	74 041
Australia	6 738	1 011	5 104	766
Listed equities	88 265	22 066	111 809	27 952
UK and Other	48 433	12 108	27 843	6 961
Southern Africa	35 040	8 760	76 985	19 246
Australia	4 792	1 198	6 981	1 745
Investment and trading properties^	571 067	82 563	577 008	71 258
UK and Other	59 438	10 738	58 336	11 667
Southern Africa	440 028	57 505	474 979	50 852
Australia	71 601	14 320	43 693	8 739
Warrants, profit shares and other embedded derivatives	105 076	36 776	67 432	23 602
UK and Other	72 187	25 265	35 979	12 593
Southern Africa	32 889	11 511	31 453	11 009
Australia	–	–	–	–
Total	1 636 507	272 220	1 535 143	239 646

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50.01%.*

* *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 as at 31 March 2013, as reflected above we could have a £272 million reversal in revenue (which assumes a year in which there is a 'severe stress 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 III capital requirements for Investec Limited 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. In terms of Basel II capital requirements for Investec plc, unlisted and listed equities within the banking book are considered in the calculation of capital required for credit risk.

Refer to page 93 for further detail.

Securitisation/credit investment and trading activities exposures

Overview

The group's definition of securitisation/credit investment activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 21 for the balance sheet and credit risk classification.

The group applies the Standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures as at 31 March 2013 are not regarded as material, and therefore no further information is disclosed for these 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 curtailed given the current economic climate.

UK and Other

The bank plays an originator role in the securitisation of assets it has originated. To date these have largely been residential mortgages. For regulatory purposes, special purpose entities (SPEs) are not considered where significant risk has been transferred to third parties. The positions we continue to hold in the securitisation will be either risk-weighted and/or deducted from capital. All of these transactions have been considered traditional securitisations. Historically, we also assisted in and on occasion, acted as sponsor in the development of select securitisation platforms with external third party originating intermediaries, providing limited warehouse funding lines to these intermediaries.

The bank has a portfolio of residential mortgages amounting to approximately £452 million, which could be earmarked for securitisation and are included in the numbers as presented on page 46.

The bank has no securitisations backed by revolving exposures.

Fitch Ratings, Moody's, Standard and Poor's and DBRS have been involved in rating these above-mentioned transactions.

During the year we undertook two securitisation transactions. Gemgarto 2012-1 is a £240 million securitisation of prime UK residential mortgages which closed in April 2012. The £201.6 million A1 tranche (rated AAA(sf)/AAA(sf)/AAA (S&P/Fitch/DBRS)) was placed with investors and the remainder of the rated notes were retained. RMS26 is a £200 million securitisation of seasoned UK non-conforming mortgages which closed in September 2012. The £150 million A1 tranche (rated AAA(sf)/AAA(sf) (S&P/Fitch) was sold to investors and the remainder of the rated notes were retained. For regulatory purposes, the group continues to recognise these assets in the consolidated regulatory balance sheet. The group therefore does not apply the securitisation rules when calculating risk-weighted assets for the above originated transactions.

We have also invested in/purchased rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £422 million at 31 March 2013 (31 March 2012: £450 million). This is intended as an investment rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk-weighted for regulatory capital purposes.

We retain residual net exposures amounting to £848 million to the assets originated, warehoused and securitised by Kensington.

Further information is provided on pages 48 to 51.

The portfolio is risk-weighted and/or treated as a deduction from capital for regulatory purposes.

South Africa

In South Africa, our securitisation business was established over ten years ago. Over this time, we have arranged a number of residential and commercial mortgage backed programmes, asset-backed commercial paper conduits, 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 a single facility.

Furthermore, we are sponsor to and provide a standby liquidity facility to Grayston Conduit 1 (RF) Limited Series 1 and Series 2. These facilities, which totalled R1.1 billion as at 31 March 2013 (31 March 2012: R1.7 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 46 to 47.

These exposures are risk-weighted for regulatory capital purposes. 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, totalling R3.3 billion at 31 March 2013 (31 March 2012: R2.5 billion). These investments are risk-weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client 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 Client division amount to R6.1 billion at 31 March 2013

(31 March 2012: R6.1 billion) and include auto loans (R0.9 billion) and residential mortgages (R5.2 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R53 million and loans less than 90 days in arrears amounted to R33 million. During December 2012 Private Residential Mortgages 2 refinanced for approximately R1.1 billion. Private Residential Mortgages 1 scheduled maturity date is in February 2014.

These securitisation structures have all been rated by Moody's. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes. The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions, and thus the liquidity provider role is fulfilled by other local banks. Credit mitigants have not been used in these transactions. Some of these transactions are subject to early amortisation mechanisms and in all of them an exemption notice in terms of securitisation rules has been applied. For regulatory capital purposes, the majority of these transactions are treated as deductions against capital. The group has no resecuritisation exposures in South Africa.

Australia

Investec Bank (Australia) Limited acquired Experien in October 2007 (now Investec Professional Finance). As is the case in the South African Private Client division, assets originated by the business have been securitised. These amount to A$715 million (31 March 2012: A$825 million). Within these securitisation vehicles loans greater than 90 days in arrears amounted to A$1 million and loans less than 90 days in arrears amounted to A$2.9 million.

During the year the Impala Trust No 1 (Sub series 2012-1), an A$233 million asset backed securitisation was launched in September 2012. The loans securitised were mainly motor vehicles, equipment finance leases, commercial hire purchase agreements, and practice loans offered to medical and accounting professionals. All notes on offer were sold and oversubscribed. In March 2013, we concluded the Nyala Funding Trust CMBS (Sub series 2013-1), A$110 million, a commercial property term facility to fund a closed pool of medical and accounting commercial property loans.

Where applicable these securitisation structures have been rated by Standard and Poor's. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for local regulatory capital purposes. The group has retained an investment in all of these transactions. For local regulatory capital purposes, the majority of the positions retained in the securitisation will be treated as capital deductions. The group has no resecuritisation exposures in Australia.

The bank has also invested in select rated instruments in Australia residential mortgage backed transactions, totalling A$22 million at 31 March 2013 (31 March 2012: A$81 million). These investments are risk-weighted for regulatory capital purposes.

Accounting policies

Securitisation transactions in which the group has either originated or participated are accounted for in accordance with the following accounting policies.

Special purpose entities (SPEs) are consolidated when the substance of the relationship between the group and the SPE indicates that the SPE is controlled by the group. The group performs a reassessment of consolidation whenever there is a change in the substance of the relationship between the group and an SPE.

The transfer of assets to an SPE may give rise to the full or partial derecognition of financial assets transferred. In relation to transferred assets, the group will only fully derecognise the asset when the group has transferred substantially all the risk and rewards associated with the asset. Partial derecognition takes place when the group transfers some but not substantially all of the risk and rewards associated with an asset. The financial assets are recognised on balance sheet to the extent of the group's continuing involvement.

Only on derecognition are disposals and any resulted gains or losses recognised in the income statement.

To the extent that the group does not consolidate and does not continue to recognise securitised assets, any exposure to a securitised vehicle as an investor is carried at fair value or on an amortised cost basis. The group's valuation process is based on observable market prices, or where not available, valuation techniques that use observable market inputs to the extent readily available.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the group's global credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cashflow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes, since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 44.

Credit analysis

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

As at 31 March Nature of exposure/activity	Exposure 2013 £'million	Exposure 2012 £'million	Internal balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit investments*	773	849	Other debt securities and other loans and advances.	
Rated	675	723		
Unrated	98	126		
Kensington – mortgage assets: net exposure	848	939	Other securitised assets and other loans and advances. We are required to fully consolidate 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 48 to 51
Loans and advances to customers and investment in third party intermediary originating platforms (mortgage and auto loans) (with the potential to be securitised)	452	857	Other loans and advances.	
Private Client division assets which have been securitised	930	1 034	Own originated loans and advances to customers securitised.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 29.
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	80	135	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.	

* *Analysed further on page 47.*

*Analysis of structured rated and unrated credit investments

As at 31 March £'million	2013 Rated**	2013 Unrated	2013 Total	2012 Rated**	2012 Unrated	2012 Total
US corporate loans	20	2	22	18	–	18
US ABS	–	–	–	1	–	1
UK and European ABS	3	7	10	8	5	13
UK and European RMBS	522	57	579	510	90	600
UK and European CMBS	21	4	25	65	5	70
UK and European corporate loans	66	28	94	67	26	93
South African RMBS	–	–	–	2	–	2
Australian RMBS	43	–	43	52	–	52
Total	675	98	773	723	126	849
Investec plc	438	69	507	518	101	619
Investec Limited	237	29	266	205	25	230

**Further analysis of rated structured credit investments as at 31 March 2013

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	6	12	–	2	20
UK and European ABS	–	–	–	3	–	–	–	3
UK and European RMBS	127	73	129	101	47	23	22	522
UK and European CMBS	–	–	6	7	8	–	–	21
UK and European corporate loans	18	25	13	3	–	7	–	66
Australian RMBS	15	22	6	–	–	–	–	43
Total as at 31 March 2013	160	120	154	120	67	30	24	675
Investec plc	160	76	55	54	40	29	24	438
Investec Limited	–	44	99	66	27	1	–	237
Total as at 31 March 2012	243	201	82	89	48	32	28	723

Kensington – salient features

As at 31 March 2013	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 306	2 028	3 334	
IFRS adjustments and cash in securitised vehicles	(88)	382	294	
Mortgage assets under management (£'million)	1 394	1 646	3 040	
First charge % of total mortgage assets under management	94.6%	93.8%	94.2%	
Second charge % of total mortgage assets under management	5.4%	6.2%	5.8%	
Number of accounts	12 303	19 491	31 794	
Average loan balance (first charge)	144 116	104 685	119 778	
Largest loan balance	1 150 440	1 250 370	1 250 370	
Weighted average loan mature margin (%)	4.3%	5.0%	4.7%	
Product mix (pre-IFRS adjustments) (£'million)	1 394	1 646	3 040	100.0%
Prime	4	–	4	0.1%
Near prime	434	342	776	25.5%
Prime buy to let	1	–	1	0.0%
Adverse	313	1 211	1 524	50.2%
Adverse buy to let and right to buy	53	93	146	4.8%
Start – Irish operations	589	–	589	19.4%
Geographic distribution (£'million)	1 394	1 646	3 040	100.0%
UK – North	242	535	777	25.5%
UK – South West	60	112	172	5.6%
UK – South East	177	339	516	17.0%
Outer London	131	209	340	11.2%
Inner London	63	113	176	5.8%
Midlands	132	338	470	15.5%
Start – Irish operations	589	–	589	19.4%
Spread of value of properties (%)	100.0%	100.0%	100.0%	
>£500 000	3.6%	1.0%	2.0%	
>£250 000 <=£500 000	24.0%	10.0%	15.4%	
>£200 000 <=£250 000	16.6%	11.6%	13.5%	
>£150 000 <=£200 000	20.3%	20.0%	20.1%	
>£100 000 <=£150 000	22.7%	30.8%	27.6%	
>£70 000 <=£100 000	10.8%	20.5%	16.8%	
>£50 000 <=£70 000	1.6%	5.1%	3.8%	
<£50 000	0.4%	1.0%	0.8%	
Asset quality statistics				
Weighted average current LTV of portfolio (adjusted for house price*)	108.9%	77.9%	92.1%	

* *Impairment provision is based on house price index assumptions of:*
UK: impairment assumes zero house price increase over the next five years and a -20% haircut for forced sale discount when repossessed properties are sold.
Ireland: Peak to trough decline of 53%, including calendar year: house price decline assumption of -4.2% for 2012, and house price decline/growth assumption of -4.9%, 0%, 2%, 3% per annum respectively for the period 2013 – 2016, and an additional forced sale discount of -5%. In addition to the modelled impairment this year, management have provided a further impairment amount, reflecting management judgement around uncertainties in the local market and positioning relative to peers.

Kensington – salient features (continued)

As at 31 March 2013	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	11.9%	24.6%	19.6%	
>65% – <70%	3.2%	6.9%	5.4%	
>70% – <75%	3.7%	8.8%	6.8%	
>75% – <80%	4.4%	9.5%	7.5%	
>80% – <85%	5.9%	11.6%	9.4%	
>85% – <90%	6.6%	11.0%	9.3%	
>90% – <95%	8.5%	8.3%	8.4%	
>95% – <100%	8.1%	6.7%	7.1%	
> 100%	47.7%	12.6%	26.5%	
% of accounts > 90 days in arrears	35.8%	25.8%	29.7%	
Number of accounts > 90 days in arrears	4 406	5 024	9 430	
Total capital lent in arrears (£'million)	753	694	1 447	100.0%
Arrears 1 – 60 days	71	123	194	13.4%
Arrears 61 – 90 days	45	89	134	9.3%
Arrears >90 days	595	447	1 042	72.0%
Possession	42	35	77	5.3%
Debt to income ratio of clients (%)	19.7%	18.5%	19.1%	
Investec investment/exposure to assets reflected above (£'million)	1 008	22	1 030	
On-balance sheet provision (£'million)			(182)	
Investec net investment/exposure to assets reflected above (£'million)			848	

Kensington – salient features (continued)

As at 31 March 2012	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 432	2 322	3 754	
IFRS adjustments and cash in securitised vehicles	(77)	451	374	
Mortgage assets under management (£'million)	1 509	1 871	3 380	
First charge % of total mortgage assets under management	94.1%	93.6%	93.8%	
Second charge % of total mortgage assets under management	5.9%	6.4%	6.2%	
Fixed rate loans % of total mortgage assets under management	0.7%	0.1%	0.3%	
Number of accounts	13 633	21 738	35 371	
Average loan balance (first charge)	141 597	106 907	120 083	
Largest loan balance	1 091 675	1 174 323	1 174 323	
Weighted average loan mature margin %	4.1%	4.7%	4.5%	
Product mix (pre-IFRS adjustments) (£'million)	1 509	1 871	3 380	100.0%
Prime	6	–	6	0.2%
Near prime	504	380	884	26.2%
Prime buy to let	1	–	1	–
Adverse	349	1 383	1 732	51.2%
Adverse buy to let and right to buy	61	108	169	5.0%
Start – Irish operations	588	–	588	17.4%
Geographic distribution (£'million)	1 509	1 871	3 380	100.0%
UK – North	284	609	893	26.4%
UK – South West	69	132	201	5.9%
UK – South East	207	388	595	17.6%
Outer London	143	231	374	11.1%
Inner London	67	129	196	5.8%
Midlands	151	382	533	15.8%
Start – Irish operations	588	–	588	17.4%
Spread of value of properties (%)	100.0%	100.0%	100.0%	
>£500 000	3.5%	1.1%	1.9%	
>£250 000 <=£500 000	23.5%	9.9%	15.2%	
>£200 000 <=£250 000	16.5%	11.6%	13.5%	
>£150 000 <=£200 000	20.6%	20.0%	20.2%	
>£100 000 <=£150 000	23.2%	30.6%	27.7%	
>£70 000 <=£100 000	11.2%	20.7%	17.1%	
>£50 000 <=£70 000	1.4%	5.0%	3.7%	
<£50 000	0.1%	1.1%	0.7%	
Asset quality statistics				
Weighted average current LTV of portfolio (adjusted for house price*)	105.6%	79.8%	91.3%	

* *Impairment provision is based on house price index assumptions of:*
UK: calendar year: house price growth of nil going forward, with an additional -20% haircut to the price to reflect forced sale discount.
Ireland: peak to trough decline of 53%, including calendar year: house price decline assumption of -9% for 2012, and house price growth assumption of 1%, 3%, 4%, 4% per annum respectively for the period 2013 – 2016, and an additional forced sale discount of 5% – 6%.

Kensington – salient features (continued)

As at 31 March 2012	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	11.5%	21.8%	17.6%	
>65% – <70%	3.4%	6.3%	5.1%	
>70% – <75%	3.7%	8.5%	6.5%	
>75% – <80%	4.5%	9.4%	7.4%	
>80% – <85%	5.5%	11.0%	8.7%	
>85% – <90%	7.3%	12.0%	10.1%	
>90% – <95%	8.6%	9.1%	8.9%	
>95% – <100%	8.6%	7.1%	7.7%	
> 100%	46.9%	14.8%	28.0%	
% of accounts > 90 days in arrears	33.2%	29.3%	30.8%	
Number of accounts > 90 days in arrears	4 515	6 368	10 883	
Total capital lent in arrears (£'million)	748	848	1 596	100.0%
Arrears 1 – 60 days	73	136	209	13.1%
Arrears 61 – 90 days	56	97	153	9.6%
Arrears >90 days	565	571	1 136	71.2%
Possession	54	44	98	6.1%
Debt to income ratio of clients (%)	20.2%	19.1%	19.6%	
Investec investment/exposure to assets reflected above (£'million)	1 053	36	1 089	
On-balance sheet provision (£'million)			(151)	
Investec net investment/exposure to assets reflected above (£'million)			938	

Market risk in the trading book

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 from 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 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 at least annually or 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 Management 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 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 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 hypothetical (clean) 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 from the SARB and so trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day stressed VaR (sVaR). Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis. In the UK, the market risk capital requirement is measured using an internal risk management model, approved by the PRA, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

The graphs that follow 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.

VaR

	31 March 2013				31 March 2012			
	Year end	Average	High	Low	Year end	Average	High	Low
UK and Other 95% (one-day)								
Commodities (£'000)	–	–	–	–	– ^	1	64	–
Equity derivatives (£'000)	663	793	1 557	391	549	1 029	1 677	536
Foreign exchange (£'000)	11	25	82	5	31	34	105	9
Interest rates (£'000)	426	386	513	265	288	231	424	115
Consolidated (£'000)*	720	855	1 548	455	624	1 060	1 742	610
South Africa – Limited 95% (one-day)								
Commodities (R'million)	–	0.1	0.6	–	–	0.1	0.5	–
Equity derivatives (R'million)	6.1	3.1	7.5	1.0	1.9	2.3	8.0	0.9
Foreign exchange (R'million)	3.4	2.1	6.0	0.4	1.1	2.7	8.9	0.7
Interest rates (R'million)	1.1	2.4	7.2	0.9	2.6	2.5	5.3	0.8
Consolidated (R'million)*	7.2	4.9	10.9	2.3	4.2	4.8	9.6	2.7
Australia 95% (one-day)								
Commodities (A$'000)	–	–	3	–	–	–	8	–
Equity derivatives (A$'000)	–	–	–	–	–	–	–	–
Foreign exchange (A$'000)	21	34	135	1	2	31	192	1
Interest rates (A$'000)	90	34	130	12	31	57	116	17
Consolidated (A$'000)*	97	53	149	12	31	68	184	19

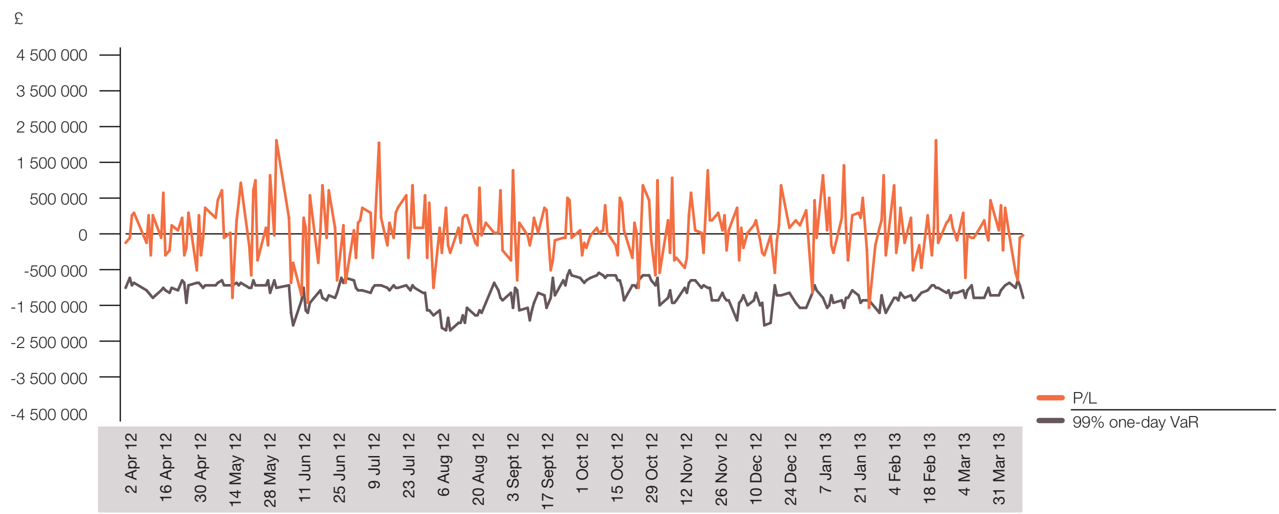
* *The consolidated VaR for each desk and each entity at year end is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes (diversification).*

^ *The UK Commodities desk was closed and all residual positions were unwound.*

UK and Other

The average VaR utilisation was lower than that in 2012, mainly as a result of a reduction in risk on the Structured Equity Derivatives desk. Using hypothetical (clean) profit and loss data for backtesting resulted in five exceptions over the year i.e. where the loss was greater than the 99% one-day VaR. This is more than expected at the 99% level and was largely due to a worsening in the correlation offset between desks compared to that implied from the historical data used in our VaR scenarios. As can be seen from the graph below some of these exceptions were marginal and as such have not raised any concerns with our VaR model.

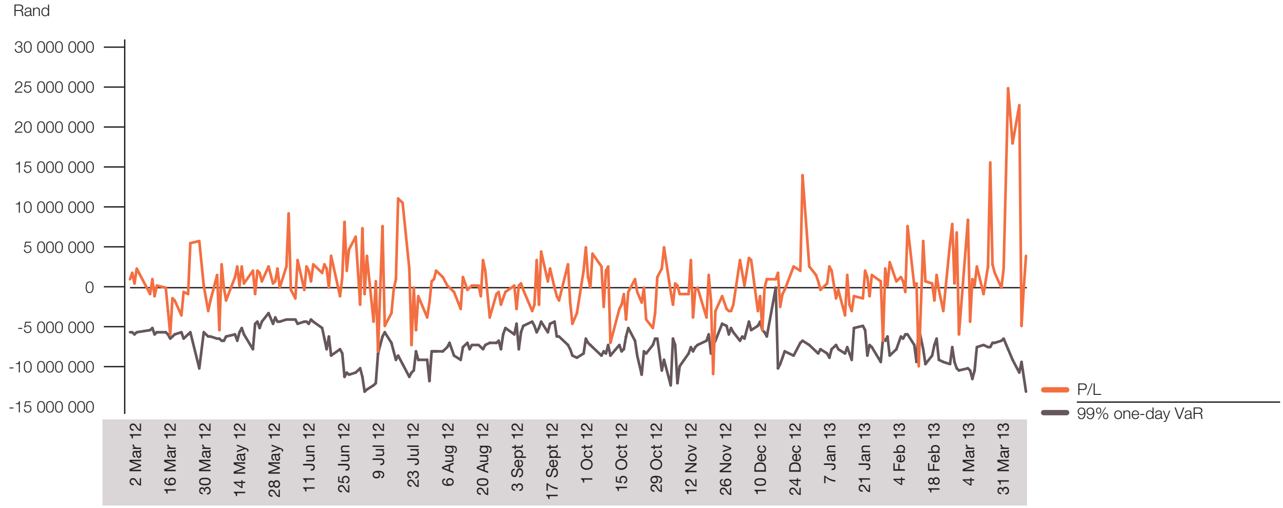
99% one-day VaR backtesting



South Africa

VaR for 2013 in the South African trading book was higher than for 2012, though still lower than pre-crisis (2007) levels. Using hypothetical (clean) profit and loss data for backtesting resulted in three exceptions, which is in line with the number of exceptions that a 99% VaR implies. The exceptions were due to normal trading losses. Using actual profit and loss resulted in one exception which is lower than expected.

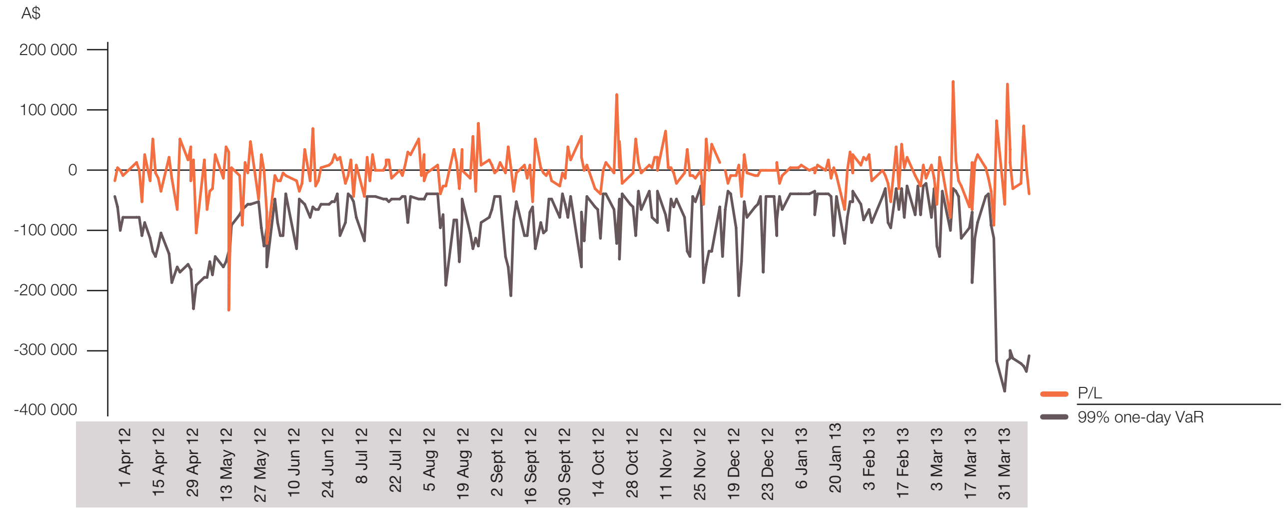
99% one-day VaR backtesting



Australia

Average VaR utilisation for 2013 remained at the moderate levels experienced in 2012. There have been two exceptions i.e. where the daily loss is greater than the VaR. This is in line with the expected number of exceptions at the 99% level. The exceptions were a result of daily losses in interest rate positions due to high levels of market volatility. The spike in the 99% one-day VaR was due to a basis risk associated with a position which was unwound on the 5th April 2013, at which point 99% one-day VaR fell from A$307 000 to A$55 000. It has remained at low levels since.

99% one-day VaR backtesting



ETL

	UK and Other 95% (one-day) £'000	Australia 95% (one-day) A$'000	South Africa 95% (one-day) R'million
31 March 2013			
Commodities	–	1	–
Equity derivatives	877	–	9.3
Foreign exchange	20	29	4.6
Interest rates	635	202	2.6
Consolidated*	976	208	10.5
31 March 2012			
Commodities	–	–	0.1
Equity derivatives	846	–	3.5
Foreign exchange	48	2	2.2
Interest rates	367	40	3.9
Consolidated*	876	40	5.8

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

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

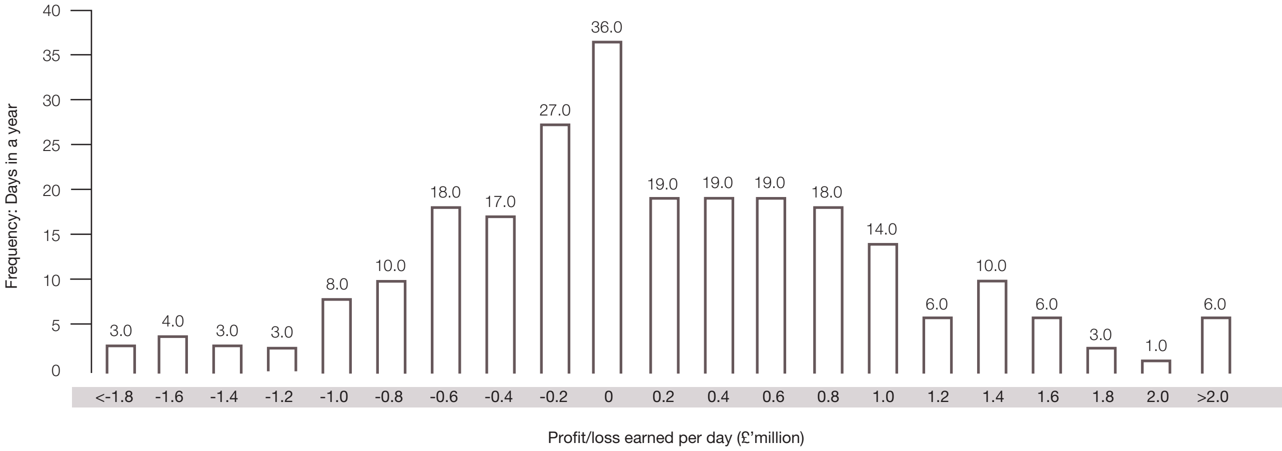
	31 March 2013				31 March 2012
	Year end	Average	High	Low	Year end
UK and Other 99% (using 99% EVT)					
Commodities (£'000)	–	–	–	–	–
Equity derivatives (£'000)	1 554	1 497	2 207	1 132	2 467
Foreign exchange (£'000)	45	64	116	30	119
Interest rates (£'000)	1 820	1 251	2 607	701	659
Consolidated (£'000)	1 813	1 699	2 280	1 158	2 230
South Africa – Limited 99% (using 99% EVT)					
Commodities (R'million)	–	–	4	–	–
Equity derivatives (R'million)	41	20	55	8	16
Foreign exchange (R'million)	14	13	40	4	17
Interest rates (R'million)	24	24	47	10	24
Consolidated (R'million)	45	31	52	17	20
Australia (using 99% EVT)					
Commodities (A$'000)	4	2	34	–	–
Equity derivatives (A$'000)	–	–	–	–	–
Foreign exchange (A$'000)	75	95	456	3	6
Interest rates (A$'000)	456	131	710	36	70
Consolidated (A$'000)	435	167	620	32	71

Profit and loss histograms

UK and Other

The histogram below illustrates the distribution of revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 121 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2013 was £102 733 (2012: £120 635).

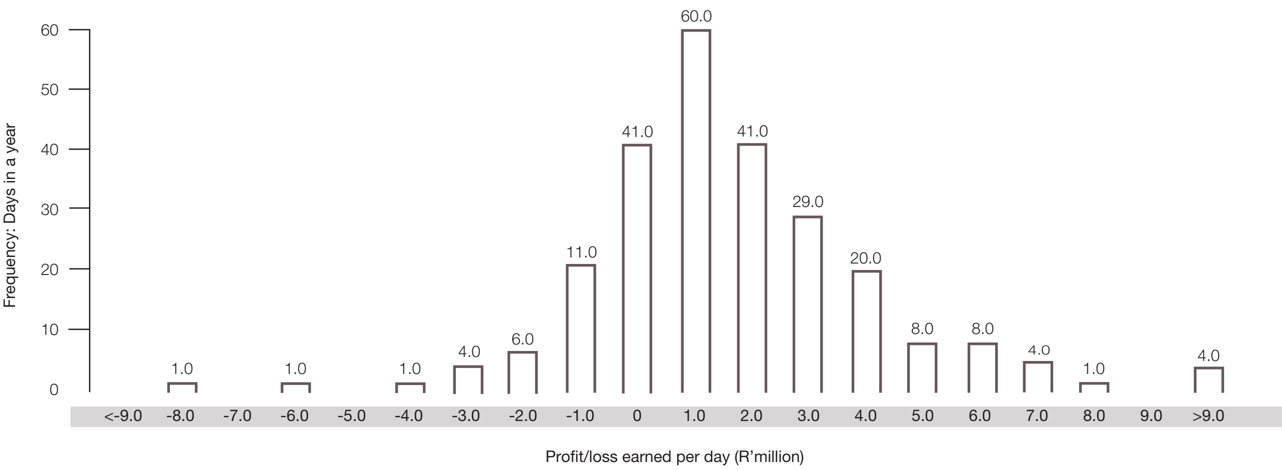
Profit and loss



South Africa

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 175 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2013 was R1.3 million (2012: R1.5 million).

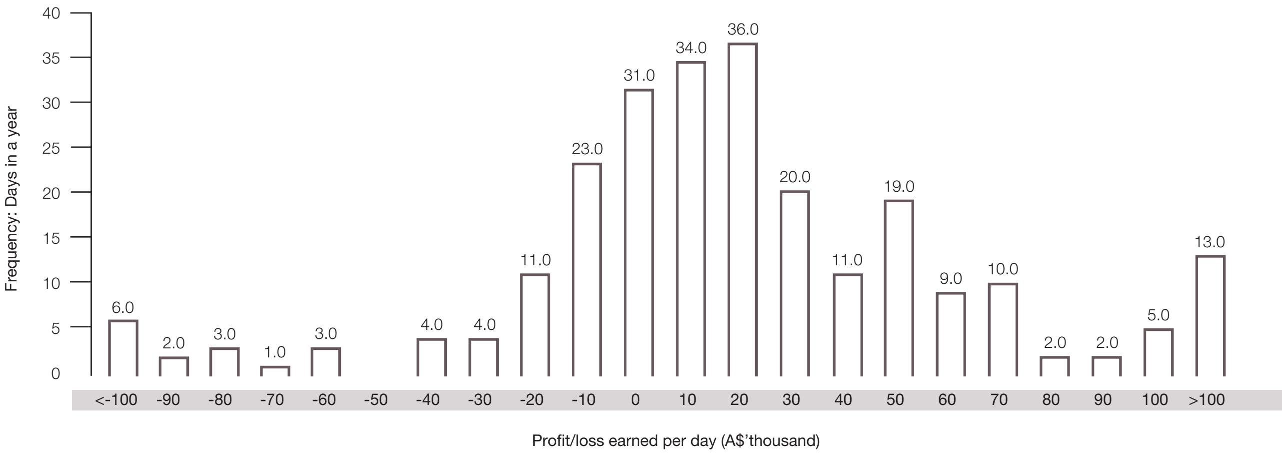
Profit and loss



Australia

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The graph shows that negative trading revenue was realised on 88 days out of a total of 249 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2013 was A$17 157 (2012: loss of A$6 056).

Profit and loss



Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are reconciled daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 500 days of unweighted data), where every 'risk factor' is exposed to daily moves over the past two years. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity, buckets and option sensitivities (greeks). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

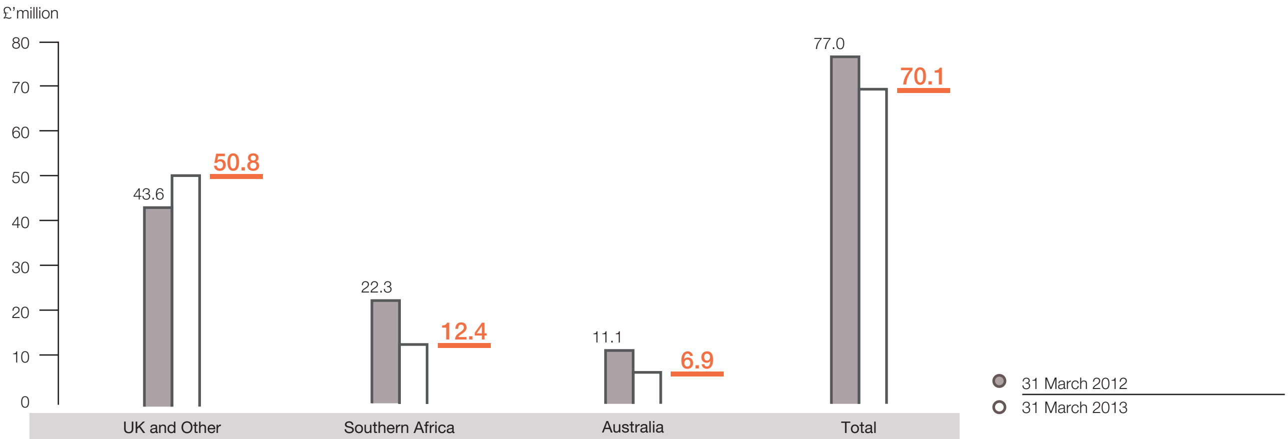
Traded market risk year in review

In South Africa market conditions have remained difficult for traders as client flow has not improved significantly. While equity markets have trended up this has been on low volumes and volatility has remained low all year. Forex and interest rate markets have seen more volatility though this has been mainly on the back of international market drivers. The impact of the Basel regulations, in January 2012, has caused the cost of capital in the trading area to increase at least three times on the year before, this has added to the constraints on traders' level of risk taking.

Despite the difficult environment in the UK, there has been continued growth in client activity across the Interest Rate and Foreign Exchange Corporate Sales desk although other trading opportunities were limited. The Structured Equity desk's retail product sales have remained strong and they continue to develop their product range. Equity market making has expanded its coverage of stocks.

Australian trading activity remains modest, with limited appetite for traded market risk exposures. Client activity is higher than in previous years on the back of improved deal activity, but remains somewhat sporadic.

Revenue arising from customer flow trading activities within our Specialist Banking division



Market risk – derivatives

We enter into various derivatives contracts, both as principal for trading purposes and as customer for hedging foreign exchange, commodity, equity and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 58 to 64 in volume three.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

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, non-trading interest rate and forex risks on balance sheet.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the board, the group has established asset and liability management committees (ALCOs) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Branches and subsidiaries have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the managing director, the head of risk, the head of corporate and institutional banking activities, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer, Private Banking representatives and any appropriate co-opted personnel. The ALCOs formally meet on a monthly basis to discuss the balance sheet, market conditions and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The group's central treasury function is mandated to manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board approved risk appetite policy. Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The group's central treasury function directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The central treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity. The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, thereby ensuring that price of liquidity is integrated into business level decision making and drives the appropriate mix of sources and uses of funds.

The Balance Sheet Risk Management team, based within Group Risk Management, independently identifies, quantifies and monitors risks, providing daily independent governance and oversight of the treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and further performs scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The Balance Sheet Risk Management team proactively identifies proposed best risk practice and measures adopted in the broader market, and implements the changes where relevant.

The scenario modelling and daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and draw-downs on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The parameters used in the scenarios are reviewed regularly, taking into account changes in the business environments and input from business units. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite.

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring'. It is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'. The BCBS announced that they propose to both strengthen and harmonise global liquidity standards and plan to introduce two new liquidity standards. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are due to be implemented by 2015 and 2018 respectively. The BCBS published the final calibration of the LCR in January 2013 and expect to publish the final calibration of the NSFR in 2014.

Each banking entity within the group maintains a contingency funding plan designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions. The liquidity contingency plans outline extensive early warning indicators, clear lines of communication, and decisive crisis response strategies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committees.

The group operates an industry recognised third party system in addition to custom built MIS systems designed to identify, measure, manage and monitor liquidity risk on both a current and forward-looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced showing bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the central treasury function, ERRF, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, 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 interest rate risk include:

- Repricing risk: Arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: Repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: Arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Optionality: We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.

The above sources of interest rate risk 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.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within the central treasury function and Treasury is mandated by the board to

actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios

- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- The non-trading interest rate risk appetite has been set based on the loss under a worst-case 200bp parallel shock as a percentage of capital. This level applies to both earnings risk and economic value risk
- Internal capital is allocated for non-trading interest rate risk
- The policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy the bank swaps its fixed deposits and loans into variable rate in the wholesale market via interest rate swaps, where there is no offset
- It is the responsibility of the liability product and pricing forum, sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products (including deposit products offered to the private clients) is set centrally, in so doing we manage access funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent ALCO review
- Treasury is the primary interface to the wholesale market
- We carry out technical interest rate analysis and economic review of fundamental developments by geography and global trends.

Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or optionality. This is performed for a variety of interest rate scenarios, covering:

- Subjective expectations and perceived risks (house views)
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based scenarios.

This is consistent with the standardised interest rate measurement recommended by the Basel framework for assessing banking book (non-trading) interest rate risk.

The aim is to protect and enhance net interest income and economic value in accordance with the board approved risk appetite. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, and economic value sensitivity and stress testing to macro-economic movement or changes measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account.

These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the central treasury function by match-funding. In turn, Treasury hedges material fixed rate assets with a term of more than one year on a deal-by-deal basis with the use of variable vs fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury also hedges all fixed rate deposits with a term of more than one year to variable rate. These derivative hedging trades are executed with the bank's Interest Rate trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

Operationally, non-trading interest rate risk is transferred within pre-defined guidelines from the originating business to the central treasury function and aggregated or netted. The Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate and Institutional Banking division to be traded with the external market. The treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the market risk limits.

Investec has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

The Basel Financial Market Committee has indicated that after completing and embedding the current reforms (i.e. capital and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high quality liquid assets (HQLA) banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon. The expectation is that Basel will only start with the investigation of this framework in the medium to long term.

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 Other – interest rate sensitivity as at 31 March 2013

£'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	3 072	1	1	–	–	155	3 229
Investment/trading assets	1 330	318	75	258	772	634	3 387
Securitised assets	2 606	98	56	9	–	–	2 769
Advances	6 914	230	211	588	98	85	8 126
Non-rate assets	3	45	1	3	–	1 899	1 951
Assets	13 925	692	344	858	870	2 773	19 462
Deposits – banks	(2 008)	(10)	(28)	(105)	–	(19)	(2 170)
Deposits – non-banks	(8 081)	(548)	(749)	(181)	(1)	(1)	(9 561)
Negotiable paper	(1 124)	(40)	(19)	(101)	(6)	–	(1 290)
Investment/trading liabilities	(369)	(21)	(5)	(300)	(110)	(106)	(911)
Securitised liabilities	(2 195)	–	–	–	–	–	(2 195)
Subordinated liabilities	–	–	–	(90)	(577)	–	(667)
Non-rate liabilities	(88)	–	–	–	–	(1 391)	(1 479)
Liabilities	(13 865)	(619)	(801)	(777)	(694)	(1 517)	(18 273)
Intercompany loans	(188)	2	137	329	116	(121)	275
Shareholders' funds	–	–	–	–	–	(1 844)	(1 844)
Balance sheet	(128)	75	(320)	410	292	(709)	(380)
Off-balance sheet	862	86	748	(622)	(887)	200	387
Repricing gap	734	161	428	(212)	(595)	(509)	7
Cumulative repricing gap	734	895	1 323	1 111	516	7	

South Africa – interest rate sensitivity as at 31 March 2013

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	22 639	457	914	592	543	5 050	30 195
Cash and short-term funds – non-banks	5 874	–	–	–	–	–	5 874
Investment/trading assets and statutory liquids	41 193	9 534	2 235	11 724	6 033	18 014	88 733
Securitised assets	7 040	–	–	–	–	674	7 714
Advances	118 615	618	2 036	8 594	5 572	969	136 404
Other assets	4 124	–	–	–	–	5 545	9 669
Assets	199 485	10 609	5 185	20 910	12 148	30 252	278 589
Deposits – banks	(16 559)	(940)	(6)	(276)	–	(75)	(17 856)
Deposits – non-banks	(157 858)	(13 443)	(7 795)	(3 006)	(547)	(1 308)	(183 957)
Negotiable paper	(2 887)	–	(88)	(3 172)	–	–	(6 147)
Securitised liabilities	(6 144)	–	–	–	–	(703)	(6 847)
Investment/trading liabilities	(13 364)	–	–	(2 668)	–	(6 011)	(22 043)
Subordinated liabilities	(9 405)	–	–	(125)	(2 884)	(2 041)	(14 455)
Other liabilities	–	–	–	–	–	(8 607)	(8 607)
Liabilities	(206 217)	(14 383)	(7 889)	(9 247)	(3 431)	(18 745)	(259 912)
Intercompany loans	8 164	(98)	(58)	1 161	(212)	(110)	8 847
Shareholders' funds	(3 340)	–	–	–	(945)	(20 251)	(24 536)
Balance sheet	(1 908)	(3 872)	(2 762)	12 824	7 560	(8 854)	2 988
Off-balance sheet	9 272	9 587	(2 326)	(13 758)	(5 726)	(37)	(2 988)
Repricing gap	7 364	5 715	(5 088)	(934)	1 834	(8 891)	–
Cumulative repricing gap	7 364	13 079	7 991	7 057	8 891	–	–

Australia – interest rate sensitivity as at 31 March 2013

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	343	–	–	–	–	–	343
Investment/trading assets	537	14	83	90	–	139	863
Securitised assets	243	51	108	311	1	–	714
Advances	1 761	99	131	452	29	24	2 496
Other assets	–	–	–	–	–	337	337
Assets	2 884	164	322	853	30	500	4 753
Deposits – non-banks	(1 575)	(415)	(176)	(203)	(11)	(85)	(2 465)
Negotiable paper	(217)	–	(199)	(251)	–	(18)	(685)
Securitised liabilities	(697)	–	–	–	–	–	(697)
Subordinated liabilities	(119)	–	–	–	–	(1)	(120)
Other liabilities	–	–	–	–	–	(170)	(170)
Liabilities	(2 608)	(415)	(375)	(454)	(11)	(274)	(4 137)
Intercompany loans	–	–	–	–	–	(9)	(9)
Shareholders' funds	–	–	–	–	–	(607)	(607)
Balance sheet	276	(251)	(53)	399	19	(390)	–
Off-balance sheet	232	(58)	276	(425)	(21)	(4)	–
Repricing gap	508	(309)	223	(26)	(2)	(394)	–
Cumulative repricing gap	508	199	422	396	394	–	

Economic value sensitivity as at 31 March 2013

For the reasons outlined above, 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 the value of the mark-to-market portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

UK and Other

	Sensitivity to the following interest rates (expressed in original currencies)				
’million	GBP	USD	EUR	Other (GBP)	All (GBP)
200bps down	(92.1)	0.4	(0.6)	(1.4)	(93.7)
200bps up	92.1	(0.4)	0.6	1.4	93.7

South Africa

	Sensitivity to the following interest rates (expressed in original currencies)					
’million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bps down	131.4	0.4	6.9	0.9	(0.5)	206.6
200bps up	(144.2)	(0.4)	(5.5)	2.0	0.8	(169.2)

Australia

’million	AUD
200bps down	(0.29)
200bps up	0.29

Liquidity risk

Liquidity risk description

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 market-wide events.

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 in the normal course of business, without adversely affecting 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
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the UK Regulators, SARB, APRA, and the Bank of Mauritius
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring to be phased in from 2015 to 2018
- The risk appetite is clearly defined by the board and each geographic entity must have its own board approved policies with respect to liquidity risk management
- Each geographic entity must be self sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities
- Branches and subsidiaries have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows

- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cashflow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates and projected balance sheet growth, to estimate future funding and liquidity needs whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. Metrics and ratios include:

- Local regulatory requirements
- Contractual run-off based actual cash flows with no modelling adjustment
- Business As Usual normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- Stress conditions based on statistical historical analysis, documented experience and prudent judgement
- Basel standards for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Quantification of a 'survival horizon' under stress conditions. The survival horizon is the number of business days it takes before the bank's cash position turns negative based on statistical historical analysis, documented experience and prudent judgement
- Other key funding and balance sheet ratios
- Monitoring and analysing market trends and the external environment.

This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. We continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 4.2% on a currency neutral basis to £12.9 billion at 31 March 2013. We also have a number of innovative retail deposit initiatives within our Corporate Banking division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 70% and 84% of total deposits since April 2006 for Investec Limited and Investec plc respectively, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. We have instituted various offshore syndicated loan programmes to broaden and diversify term funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors including business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of term liquidity. These entities form part of the consolidated group balance sheet as reported. Our funding and liquidity capacity is not reliant on these entities to any material extent.

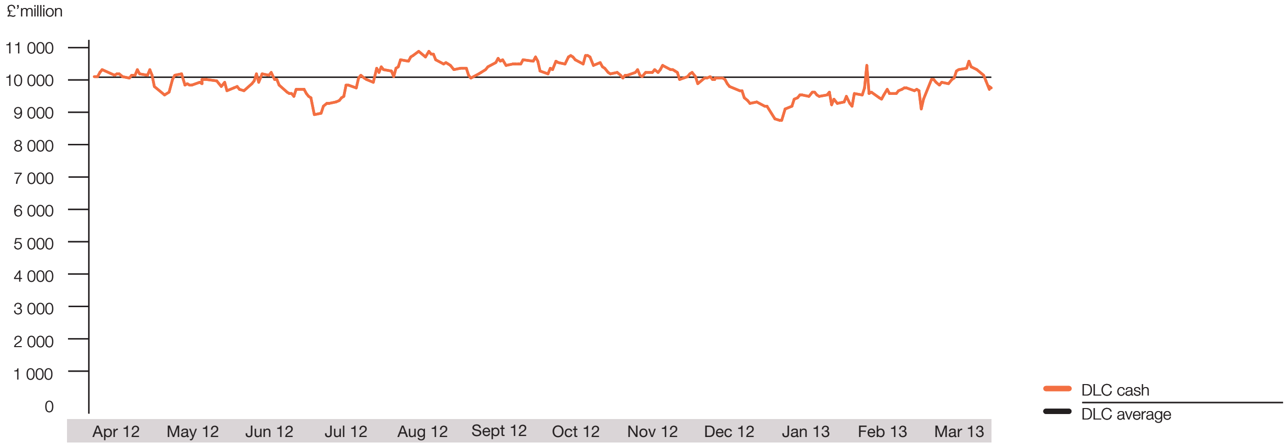
As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short–term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. We do not rely on interbank deposits to fund term lending. From 1 April 2012 to 31 March 2013 average cash and near cash balances over the period amounted to £10.1 billion (£3.8 billion in UK and Other; R74.5 billion in South Africa and A$1.2 billion in Australia).

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

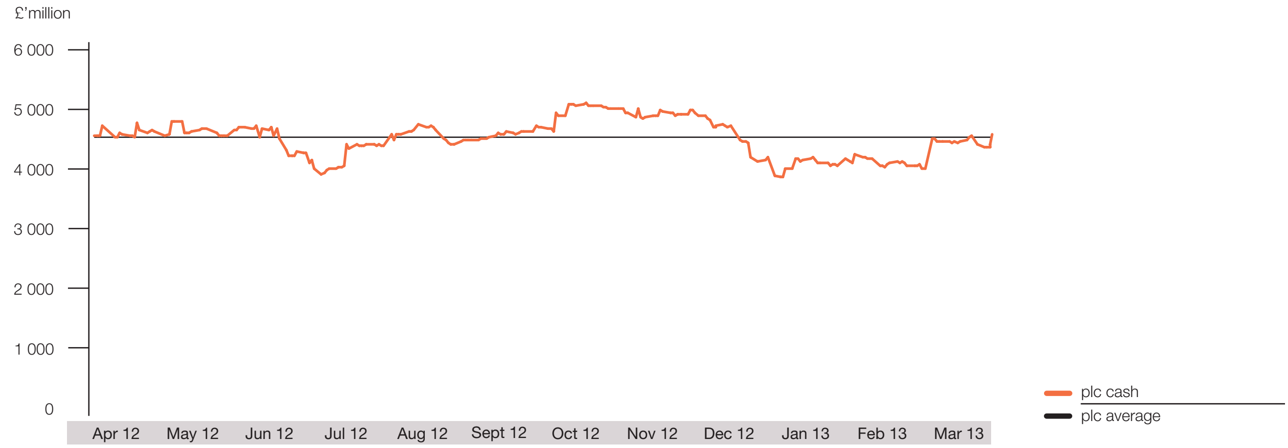
The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank specific events, while minimising detrimental long-term implications for the business.

Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis.

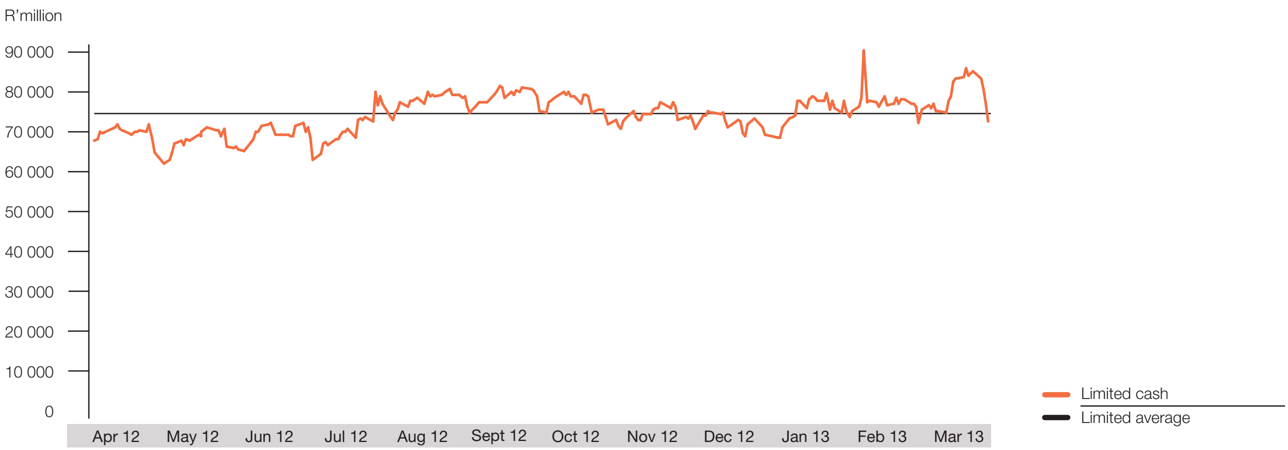
Total Investec group cash and near cash trend



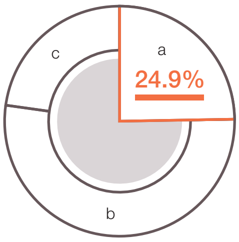
Investec plc cash and near cash trend



Investec Limited cash and near cash trend



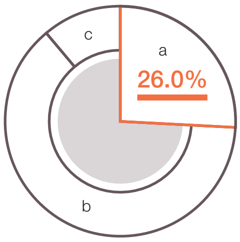
An analysis of cash and near cash



Total group

£9 828 million

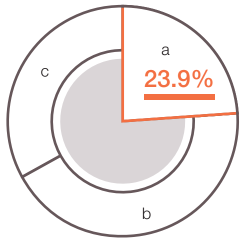
a	Cash	24.9%
b	Near cash (central bank guaranteed liquidity)	52.5%
c	Near cash (other 'monetisable' assets)	22.6%



Investec plc

£4 605 million

a	Cash	26.0%
b	Near cash (central bank guaranteed liquidity)	63.0%
c	Near cash (other 'monetisable' assets)	11.0%

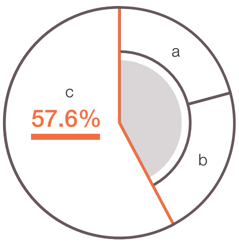


Investec Limited

R72 974 million

a	Cash	23.9%
b	Near cash (central bank guaranteed liquidity)	43.2%
c	Near cash (other 'monetisable' assets)	32.9%

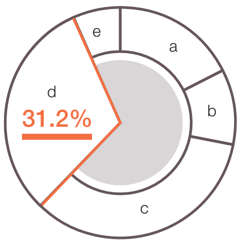
Bank and non-bank depositor concentration by type



UK and Other

£12 081 million

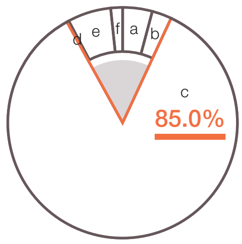
a	Financial institutions/banks	21.1%
b	Corporate	21.3%
c	Private client	57.6%



South Africa

R203 172 million

a	Financial institutions/banks	17.6%
b	Corporate	10.6%
c	Private client	34.2%
d	Fund managers	31.2%
e	Public sector	6.4%



Australia

A$2 465 million

a	Financial institutions / banks	4.2%
b	Corporate	2.9%
c	Private client	85.0%
d	Fund managers	0.2%
e	Public sector	6.1%
f	Other	1.6%

The liquidity position of the group strengthened in 2013, and we continued to enjoy strong inflows of customer deposits.

Liquidity mismatch

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

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

The liquidity position of the group strengthened in 2013, and we continued to enjoy strong inflows of customer deposits whilst maintaining good access to wholesale markets despite the ongoing euro zone crisis and underlying market conditions. Our liquidity and funding profile reflects our strategy, risk appetite and business activities. 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 except as mentioned below, and we record all assets 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 repo'ing or selling these securities, we have:
  - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
  - 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; and
  - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. 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. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Other

Contractual liquidity as at 31 March 2013

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	2 308	755	406	1	1	75	–	3 546
Investment/trading assets	693	663	62	327	87	882	1 357	4 071
Securitised assets	116	3	8	4	8	161	2 469	2 769
Advances	25	660	512	752	806	2 778	2 593	8 126
Other assets	223	714	135	15	19	124	721	1 951
Assets	3 365	2 795	1 123	1 099	921	4 020	7 140	20 463
Deposits – banks	(887)	(644)	(46)	(9)	(154)	(780)	–	(2 520)
Deposits – non-banks	(1 161)^	(875)	(2 863)	(2 610)	(736)	(1 225)	(91)	(9 561)
Negotiable paper	–	(37)	(90)	(138)	(105)	(563)	(357)	(1 290)
Securitised liabilities	–	–	–	–	–	–	(2 195)	(2 195)
Investment/trading liabilities	(354)	(140)	(56)	(34)	(18)	(414)	(180)	(1 196)
Subordinated liabilities	–	–	–	–	(1)	(71)	(595)	(667)
Other liabilities	(150)	(862)	(95)	(16)	(182)	(111)	(111)	(1 527)
Liabilities	(2 552)	(2 558)	(3 150)	(2 807)	(1 196)	(3 164)	(3 529)	(18 956)
Intercompany loans	4	(7)	42	–	–	299	(2)	336
Shareholders' funds	–	–	–	–	–	–	(1 843)	(1 843)
Contractual liquidity gap	817	230	(1 985)	(1 708)	(275)	1 155	1 766	–
Cumulative liquidity gap	817	1 047	(938)	(2 646)	(2 921)	(1 766)	–	

Behavioural liquidity

As discussed on page 68.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	2 643	(117)	(961)	(4)	(275)	(2 468)	1 182	–
Cumulative	2 643	2 526	1 565	1 561	1 286	(1 182)	–	–

^ *The deposits shown in the demand column at 31 March 2013 reflect cash margin deposits held.*

Southern Africa

Contractual liquidity as at 31 March 2013

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks*	22 237	4 230	1 416	464	1 227	393	1 087	31 054
Cash and short-term funds – non-banks	5 858	6	11	–	–	–	–	5 875
Investment/trading assets and statutory liquids**	52 771	–	1 571	1 137	1 960	27 860	22 403	107 702
Securitised assets	1 043	26	161	173	559	1 445	4 307	7 714
Advances	3 070	5 839	8 461	9 745	13 326	61 775	34 188	136 404
Other assets	349	3 348	93	205	2	2 079	3 773	9 849
Assets	85 328	13 449	11 713	11 724	17 074	93 552	65 758	298 598
Deposits – banks	(2 105)	(833)	(198)	(10 178)	(412)	(4 135)	–	(17 861)
Deposits – non-banks	(66 763)^	(19 027)	(32 690)	(21 079)	(23 397)	(20 136)	(2 219)	(185 311)
Negotiable paper	–	(8)	(1 376)	(40)	(828)	(3 895)	–	(6 147)
Securitised liabilities	(32)	(618)	(835)	(459)	(2 000)	(2 600)	(303)	(6 847)
Investment/trading liabilities	–	(15 869)	(1 077)	(520)	(1 289)	(14 132)	(1 226)	(34 113)
Subordinated liabilities	(3 003)	(96)	–	–	–	(125)	(11 231)	(14 455)
Other liabilities	(1 293)	(1 105)	(118)	(156)	(692)	(423)	(5 534)	(9 321)
Liabilities	(73 196)	(37 556)	(36 294)	(32 432)	(28 618)	(45 446)	(20 513)	(274 055)
Shareholders' funds	–	–	–	–	–	–	(24 543)	(24 543)
Contractual liquidity gap	12 132	(24 107)	(24 581)	(20 708)	(11 544)	48 106	20 702	–
Cumulative liquidity gap	12 132	(11 975)	(36 556)	(57 264)	(68 808)	(20 702)	–	–

Note: contractual liquidity adjustments

As discussed on page 68.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
*Cash and short-term funds – banks	17 217	4 230	1 416	464	1 227	393	6 107	31 054
**Investment/trading assets and statutory liquids	235	18 451	10 518	11 909	7 327	33 200	26 062	107 702

Behavioural liquidity

As discussed on page 68.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	14 953	2 708	(2 182)	(5 901)	(5 353)	(49 371)	45 145	–
Cumulative	14 953	17 661	15 479	9 578	4 226	(45 145)	–	–

^ *Includes call deposits of R59 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Australia

Contractual liquidity as at 31 March 2013

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short term funds – banks	343	–	–	–	–	–	–	343
Investment/trading assets	665	3	7	27	29	91	41	863
Securitised assets	2	21	66	71	146	405	3	714
Advances	18	64	218	322	446	1 288	140	2 496
Other assets	–	–	–	–	–	–	337	337
Assets	1 028	88	291	420	621	1 784	521	4 753
Deposits – non-banks	(380)^	(339)	(918)	(423)	(180)	(214)	(11)	(2 465)
Negotiable paper	–	(5)	(12)	–	(206)	(462)	–	(685)
Securitised liabilities	(2)	(21)	(64)	(148)	(117)	(343)	(2)	(697)
Investment/trading liabilities	(1)	(6)	(3)	(7)	(13)	(36)	(18)	(84)
Subordinated liabilities	–	–	–	–	–	(120)	–	(120)
Other liabilities	–	–	–	–	–	–	(86)	(86)
Liabilities	(383)	(371)	(997)	(578)	(516)	(1 175)	(117)	(4 137)
Intercompany loans	–	4	(15)	–	–	–	1	(10)
Shareholders' funds	–	–	–	–	–	–	(606)	(606)
Contractual liquidity gap	645	(279)	(721)	(158)	105	609	(201)	–
Cumulative liquidity gap	645	366	(355)	(513)	(408)	201	–	–

Note: contractual liquidity adjustments

As discussed on page 68.

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
*Cash and short-term funds – banks	11	13	51	51	120	556	61	863
**Investment/trading assets and statutory liquids	159	58	206	290	381	1 262	140	2 496

Behavioural liquidity

As discussed on page 68.

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	955	(331)	(621)	(365)	(36)	599	(201)	–
Cumulative	955	624	3	(362)	(398)	201	–	–

^ *Includes call deposits of A$345 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established.

Balance sheet risk year in review

- Investec maintained and improved its strong liquidity position ahead of Basel III and continued to hold high levels of surplus liquid assets
- We sustained strong term funding in demanding market conditions whilst focusing on lowering the weighted average cost of funding
- Our liquidity risk management process remains robust and comprehensive.

UK and Other

The official bank rate remained at 0.5% during the period under review, such that it has been at a record low rate for four years now. Although inflation has been above target through the review period, there has been no serious discussion of an upward adjustment to rates. Indeed, the Euro crisis continued to inflict periods of volatility and UK growth outturns remained lacklustre, with 2012 growth overall amounting to just 0.3% including a 'double-dip' recession. The weakness of the economic backdrop and the persistence of Euro crisis risks has ensured the monetary policy debate has centred on whether to add more monetary accommodation in the shape of additional asset purchases. Since then the asset purchase total has remained unchanged whilst the Committee reflected on its views on the effectiveness of quantitative easing (QE) under current conditions, watched for signs of its Funding for Lending Scheme (FLS) having an impact, and awaited signs of a sharper moderation in inflation, yet to emerge. The FLS, first announced in June 2012, is aimed at increasing credit flows to non-financial corporates and households, allowing banks to borrow nine-month treasury bills from the Bank of England on eligible collateral, which they can then repurchase, generating cash to lend on. So far the scheme looks to have modestly assisted in lifting mortgage approval levels with some tentative signs of a broader boost to lending, but it is unlikely to significantly bolster UK recovery prospects. Finally note that the UK failed to retain its AAA sovereign rating with Moody's stripping it of its rating with a one notch downgrade to Aa1 (stable outlook) in February 2013. In March 2013, Fitch put the UK on ratings watch negative. Standard and Poor's also has a negative outlook placed on the UK's rating.

Through the first part of 2012, the ECB kept the main refinancing rate on hold at 1.00%. But as economic data in the Euro area's powerhouse Germany began to deteriorate and inflation pressures subsided, the ECB's Governing Council opted to reduce the main refinancing rate to 0.75% in July. As market turmoil built through the summer months and as peripheral government bonds came under pressure, ECB President Mario Draghi sought to reassure markets by saying he would do whatever it took to save the Euro whilst unveiling the ECB's new rescue backstop, Outright Monetary Transactions (OMT). Although the mechanism has not yet been used, the announcement of the backstop had a notable impact on market sentiment, helping to bring down peripheral bond yields significantly and calm Euro crisis strains. However, tensions over Greece resurfaced in the autumn, related to whether the (ECB/European Commission/ IMF) Troika would be able to sign off on a revised bailout and release further urgently needed aid cash. Greece was eventually granted the aid cash, as it signed up to a refreshed reform programme. But almost as soon as Greek fears had been addressed, Cyprus came into focus in European meetings, as it sought a bailout from the Troika. Those talks eventually led to a bailout agreement in March 2013, but not before faith in the rescue backstops had been thoroughly shaken with depositors and senior bondholders both put in line for losses as part of the Cypriot agreement. From a macro perspective, the Euro area economy has remained weak through the period under review, re-entering recession from second quarter 2012 with that weakness having so far persisted into the first quarter of 2013, reviving expectations of a further downward move in the ECB's main refinancing.

The bank entered the year with a healthy surplus liquidity position, which increased during the year mainly due to retail deposits, and was managed down over the course of the year, returning to a similar surplus as at the beginning of the year. Throughout the first portion of the year retail one year and two year fixed rate products continued to attract significant deposit inflows, and as liquidity grew, rates were reduced to stem excessive inflows. Furthermore, the bank entered the wholesale markets with a three year £178 million syndicated bank club loan in June 2012 and with a £240 million UK residential mortgage securitisation in April 2012 and another £200 million UK residential mortgage securitisation in September 2012. Cash and near cash balances as at 31 March 2013 amounted to £3.9 billion (2012: £3.6 billion) with total customer deposits increasing by 1.1% during the year to £9.6 billion.

South Africa

The financial year saw only one official change in South Africa's Reserve Bank repurchase (repo) rate, to 5.00% in July 2012 from 5.50%, as inflation dropped from 6.3% year-on-year to a low point of 4.9% year-on-year for 2012. Another highlight was the formal inclusion of South Africa in the CitiBank Global Bond Index which led to major offshore inflows to our bond markets and markedly lower bond rates. However, from September the curve began to steepen as the monetary authorities indicated that upside pressure was expected on inflation with the exchange rate also posing a potential risk (to the inflation outlook). This ended market speculation on further interest rate cuts. The yield curve ended the financial year lower than it began.

The Rand ended the year substantially weaker at R9.23/USD (R11.81/EUR and R13.96/GBP) from R7.64/USD (R10.18/EUR and R12.27/GBP), with the steady depreciation driven initially by negative global risk aversion levels due to the perceived deterioration in the global environment, and then, in the second half of the year, by the downgrades to South Africa's perceived sovereign credit rating and negative investor sentiment in the equity space following prolonged strike action. The Rand has ended the financial year well removed from its fair value of R8.30/USD, although over the longer term it typically returns to fair valuation (purchasing power parity) given the historical depreciation of around 4% a year in South Africa's purchasing power valuation of the Rand. The long-term depreciation in the domestic currency is due to the enduring differential between South Africa and its chief trading partner's inflation rates.

Investec's balance sheet was well positioned for the 50bps rate cut and the net contribution to income was significantly positive. Investec continued to build its structural liquidity cash resources over the course of the year as part of our drive to improve the Basel III LCR to be implemented from 2015. The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 5.2% from 1 April 2012 to R185.3 billion at 31 March 2013 (Private Bank deposits amount to R67.3 billion and other retail deposits amount to R118.0 billion). Cash and near cash balances increased by 5.6% from 1 April 2012 to R73.0 billion at 31 March 2013. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totalling R11.8 billion. Syndicated loan deals raised about US$335 million three-year funds. Investec also issued its first EMTN and raised US$300 million for five years. Further welcome news was the announcement of the softening of some of the Basel III guidelines on liquidity risk in the last quarter and this has placed Investec in a very favourable position to meet the new criteria with less of a negative impact on margins.

Australia

The Australian economy has remained one of the strongest advanced economies in the world, outperforming most global benchmark nations. The unemployment rate remained relatively subdued, increasing from 5.2% to 5.4%. The Australian Dollar continued to show strength, remaining near or above parity with the US Dollar throughout the financial year. Inflation remains contained, with the underlying rate remaining within the Reserve Bank of Australia's (RBA) 2% – 3% target band. In response to continued global economic instability, the RBA reduced the official cash rate by a total of 125bps to 3%. The Australian banking system continued to strengthen liquidity through the year, with strong demand for retail deposits placing upward pricing pressure on funding, although recent months have seen improved pricing for major banks in global wholesale funding markets, reducing the demand for retail deposits and lowering the cost of funding.

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with average cash and near cash balances amounting to A$1.2 billion. Total customer deposits increased by 6.7% from 1 April 2012 to A$2.4 billion at 31 March 2013, which included an active diversification strategy across funding channels.

Investec group

We successfully embarked on several term debt funding initiatives, accessing domestic and foreign capital markets when appropriate, taking advantage of pockets of well-priced liquidity. This allowed us to maintain liquidity above internal and external liquidity targets. Decisions concerning timing of issuance and the tenor of liabilities are based upon relative costs, general market conditions, prospective views of organic balance sheet growth and a targeted liquidity profile.

- Investec plc:
  - In August 2012 successfully entered into four bi-lateral deposits U$20 million, £28.5 million, €75 million and €30 million with a tenor of 18 months
- Investec Bank plc (IBP):
  - Raised a multi currency three year syndicated deposit €95 million, U$112 million and £30 million in August 2012
- Investec Bank (Australia) Limited:
  - undertook a further term securitisation of A$233 million Professional Finance assets from the Impala securitisation vehicle;
  - undertook an inaugural CMBS transaction of A$110 million Professional Finance assets;
  - issued an additional A$50 million of 10-year subordinated debt;
  - bought back A$301.6 million of previously issued government guaranteed term debt; and
  - redeemed A$150 million of programme term debt at contractual maturity
- Investec Bank Limited:
  - issued 10 and 12 year sub debt totalling R5.2 billion over the course of the year;
  - issued medium-term three-, five- and 10-year notes totalling R5.7 billion over the course of the year;
  - issued three-year notes totalling US$300 million over the course of the year; and
  - raised US$335 million equivalent multi currency syndicated loan for three years to boost our foreign currency cash reserves.

Regulatory considerations – balance sheet risk

Regulators propose to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have maintained strong capital, funding and liquidity positions.

The BCBS published the final calibration of the LCR in January 2013 and expect to publish the final calibration of the NSFR in 2014. The main changes to the LCR were to introduce level 2b qualifying assets and recalibrate run-off factors for non-financial commercial depositors and committed facilities. The LCR ratio will be phased in from 2015 to 2019.

We expect that all the jurisdictions where Investec has a banking licence will implement the BCBS guidelines on liquidity. In most jurisdictions there is still some uncertainty on the items for national discretion and this can have an impact on the final interpretation of the ratio.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks whilst the regulatory developments could result in additional costs.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In some jurisdictions Investec already exceeds minimum requirements of these standards, whilst in other geographies we have commenced with strategies to reshape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

We have been an active participant in regulatory and industry forums to promote best practice standards on liquidity management.

The BCBS guidelines were followed by an observation period during which bi-annual quantitative impact studies are carried out to assess the impact of the new proposals on banks and the broader economy. Investec participated in the QIS study and believes it will be adequately funded and capitalised to meet the new requirements.

UK and Other

For the year ended 31 March 2013, Investec plc and Investec Bank plc were regulated by the FSA. On 1 April 2013, the Prudential Regulation Authority (PRA) came into being, following the dissolution of the FSA into new regulatory bodies; the PRA and the Financial Conduct Authority. Going forward, Investec plc will be supervised by the PRA.

Investec Bank plc currently comfortably meets its regulatory liquidity requirements and will progress to implement the forthcoming liquidity proposals included in the CRD IV (Basel III) package. Investec Bank plc is currently shadowing and comfortably meeting the draft LCR and NSFR liquidity ratios. We will continue to monitor these rules until final implementation.

South Africa

South Africa is committed to implementing the BCBS guidelines for 'liquidity risk measurement standards and monitoring' published in December 2010 and January 2013, by the due dates of 2015 to 2019.

Investec is involved in the process in the following ways:

- Collectively via the Banking Association of South Africa (BASA) and their task groups
- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury structural Funding and Liquidity Risk task team.

South Africa is a region with insufficient liquid assets; to address this systemic challenge the SARB announced the introduction of a committed liquidity.

SARB is in the process of finalising the items for national discretion. With the changes announced by BCBS in January 2013, Investec South Africa already meets the requirement for the LCR in 2015.

Notwithstanding the above, the South African banking industry will find it difficult to meet the NSFR ratio, as currently defined, as a result of the shortcomings and constraints in the South African environment. The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. The proposed liquidity measures have the potential to impact growth and job creation in the economy. In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South African market and make recommendations to address these limitations.

BCBS have committed to finalise the NSFR ratio in 2014.

Notwithstanding the above constraints, Investec South Africa is committed to meet the ratios.

Australia

The Australian regulatory environment continues to progress, as expected, towards full introduction of Basel III standards through ongoing dialogue between APRA, Australian Securities and Investment Commission (ASIC) and the various banking industry forums on various aspects of the standards, including the potential introduction of a notice period for early redemption of term deposits.

In respect of liquidity, APRA is still formulating a response to recent proposed changes to the LCR measure recently recommended by the BCBS.

During the year, Investec Australia undertook a material enhancement of its liquidity risk management framework to include measurement of potential liquidity requirements under various stress scenarios. As part of this process, the bank prepared an individual liquidity adequacy assessment document, which was submitted to APRA in March 2013.

The bank remains committed to implementing the BCBS guidelines for liquidity risk measurement.

Operational risk

Operational risk definition

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or external events which occur in the course of business. The consequences of operational risk events are not limited to financial consequences only, but may also have non-financial consequences such as business disruption or reputational impacts.

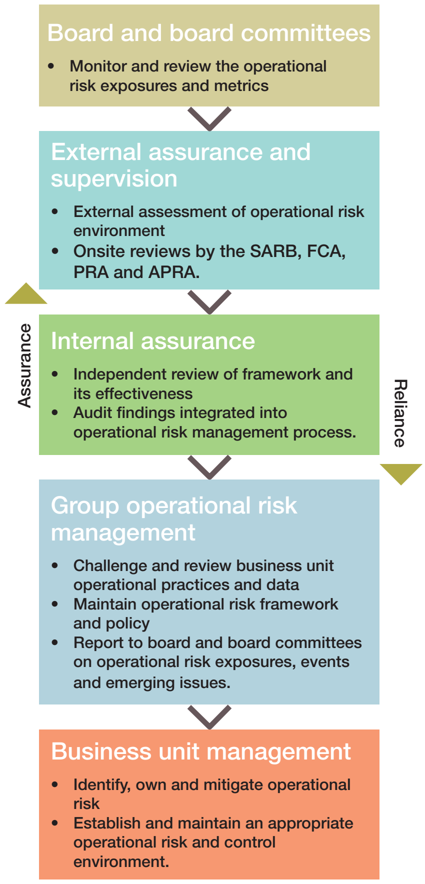
We recognise that there is a significant risk inherent in the operations of a bank. We endeavour to manage operational risk exposures and events by maintaining and embedding an operational risk management framework which supports sound operational risk management practices.

Operational risk management framework

The operational risk management framework is diagrammatically represented below and includes practices, processes and procedures to identify, assess, report, mitigate and measure operational risk within the bank.

Governance

The governance structure adopted to manage operational risk within the bank operates in terms of a levels of defence model and provides combined assurance in the following manner:



The board, through the BRCC, has established and mandated an independent group operational risk management function to manage operational risk within the bank. Policies and procedures are developed at a group level to ensure that operational risk is managed in an appropriate and consistent manner. The embedded risk managers (ERMs) manage operational risk through review, challenge and escalation of issues. Significant risk exposures and events are subject to action and escalation by the ERMs in terms of the operational risk appetite policy. This policy sets out the operational risk exposure that the group is willing to accept or retain.

Business unit management implements and embeds policies and procedures to manage operational risk and ensures alignment with the group's risk appetite. All personnel are adequately skilled at both a business unit and a group level.

Enhancement of the risk and control environment has remained a key area of focus.

Operational risk practices

The following practices are used for the management of operational risk as described below:

Risk and control assessments

- Qualitative assessment that identifies key operational risks and controls
- This provides an understanding of the risk profile including the identification of inadequate controls.

Risk indicators

- Monitoring of risk exposure
- Metrics are used to monitor risk exposure against identified thresholds
- Assists in predictive capability through provision of early warning signs.

Internal risk events

- Any incidents relating to people, internal processes or systems that have failed
- Operational risk events, with either a financial or non-financial consequence, are captured
- A causal analysis is performed
- Enables business to identify trends in losses and correct control weaknesses.

External risk events

- Events are collected from public sources and are analysed to inform potential control failures within the bank
- The output of this analysis is used as input into the operational risk assessment process.

Scenarios

- Extreme, unexpected, but plausible loss events which may not yet have been experienced for which the financial and non-financial impacts are evaluated
- Used to measure the impact arising from operational risk exposures which are considered in determining internal operational risk capital requirements.

Reporting

- Group Operational Risk Management reports to the board, BRCC and audit committee on a regular basis
- A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed.

Technology

- An operational risk system is in place to support operational risk practices and processes.

Operational risk year under review

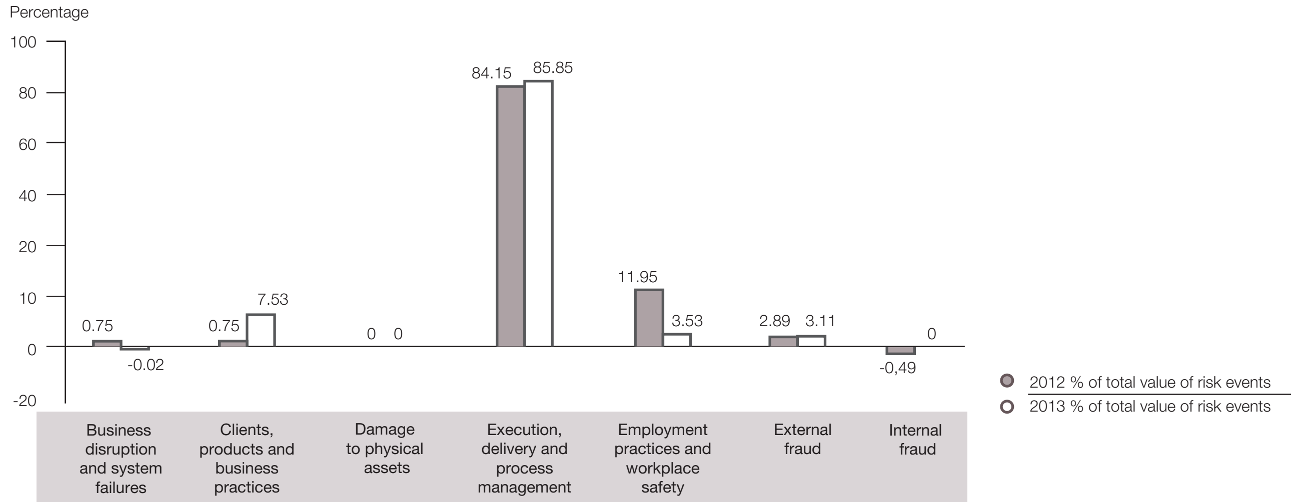
The bank continues to operate under the Standardised approach to operational risk.

Enhancement of the risk and control environment has remained a key area of focus for the year under review. In addition, the bank recognises the need to enhance practices relating to other components of the operational risk management framework. The enhancement of practices is currently being driven through identified project work streams, which over the next few years aim to deliver more effective management of operational risk aligned to industry best practice and regulatory requirements.

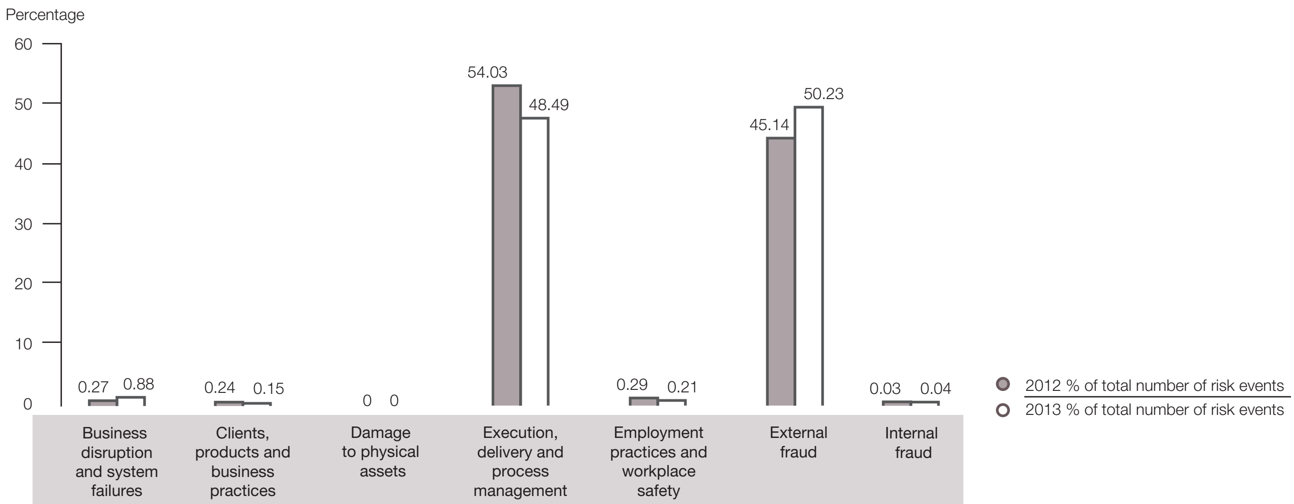
Regular interaction with regulators promotes an understanding of regulatory expectations and informs the approach to regulatory changes and requirements. Awareness of best practice is achieved through interaction with industry counterparts at formal industry forums.

The graphs and figures below represent the distribution of the value and number of risk events across the Basel risk event types for the period April 2012 to March 2013.

Operational risk events by risk category – % of total value of risk events



Operational risk events by risk category – % of total number of risk events



The majority of losses are experienced in the execution, delivery and process management risk category and are driven by a few large loss events. Trend and causal analysis is performed to improve the control environment.

The external fraud category includes credit card fraud. During the year, fraudulent activity relating to credit card fraud has increased. Limiting financial loss through the identification and development of mitigation strategies remains a focus area.

Key operational risk considerations

The following risks are key focuses of the group which may result in the reduction of earnings if they materialise.

Definition of risk	Mitigation of risk
Financial crime	
Risk associated with fraud, forgery, theft and corruption	• Ensuring that appropriate action is taken in respect of fraudulent activities • Identifying criminal acts against the group and investigating and recovering losses • Engaging with external specialists and industry forums
Information security risk	
Risk associated with the confidentiality, integrity or availability of information assets irrespective of location or medium – including both physical and electronic	• Identification of threats to our information assets and assessment of associated risk exposures to these assets • Implementation of management and technical controls to reduce or mitigate identified information security risks • Evaluation of risks posed by third party service providers which process and store our information • Conducting information security awareness training to all employees • Establishment of information technology (IT) policies to manage potential exposures • Establishing and testing security incidents or breach response processes
Process failure	
Risk associated with inadequate or missing internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	• Process failure related losses are continually mitigated through careful consideration of control effectiveness • Causal analysis of failure related losses, both potential and actual, identifies weakness in controls
Regulatory and compliance risk	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group Compliance and Group Legal Risk assist in the management of risk • Identification and adherence to legal and regulatory requirements • Review practices and policies as regulatory requirements change
Technology risk	
Risk associated with the reliance on technology to support business processes and client services. This relates to the operations, usage, ownership and responsibility of IT systems across the business	• Establishment of an IT risk assessment framework to consistently and effectively assess IT exposures across the business • Monitoring risk exposures related to adoption of new technologies • Implementing and operating controls to manage IT related risks • Identification and remediation of vulnerabilities identified in IT systems, applications, and IT processes • Establishing appropriate IT recovery capabilities to safeguard against application failures, telecom outages and data corruption • Establishing effective IT incident management processes to minimise the adverse impact of interruption to IT systems and services

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk Management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site(s). Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where Investec plc is required to fund any deficit in the schemes.

There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources at risk include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

Investec plc monitors the position of the funds closely and regularly assesses potential adverse movements in the schemes in close conjunction with external, independent advisers.

Further information is provided on pages 82 to 84 in volume three.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A legal risk forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the global head of legal risk or an appointed deputy. Minutes of the meetings are circulated to the chief executive officer of each legal entity.

Conduct risk

As part of the regulatory restructure, the new Financial Conduct Authority (FCA) in the UK has outlined its approach to managing firms' conduct.

By conduct risk we mean the risk that detriment is caused to the bank, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.

The focus on conduct risk is intended to go beyond the current compliance monitoring frameworks in order to move away from the culture of 'tick box' compliance. As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of markets conduct. All firms will be expected to take a holistic approach to assessing their key conduct risks and to ensure that these are being managed in accordance with FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition.

The group's work on conduct risk, particularly in the UK, includes assessing key risks across the business, identifying key controls and ensuring that the board is receiving the right information to enable it to challenge effectively the management of risks by the business. This work is set to continue for the coming year and will aim to build on the existing controls such as the compliance monitoring, Treating Customers Fairly (TCF) and operational risk frameworks.

Capital management and allocation

Capital measurement

Although Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

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 Limited and Investec plc are separately regulated entities. Operating with different regulatory capital regimes, it is difficult to directly compare regulatory capital sufficiency of the two entities. The following provides a brief outline of the regulatory environment relevant to the group's capital management framework.

Regulatory capital – Investec Limited

Investec Limited is supervised for capital purposes by the SARB, on a consolidated basis.

On 1 January 2013, the SARB implemented its local version of the Basel III rules as composed by the Bank for International Settlements. Basel III builds upon the Basel II framework to strengthen minimum capital (and liquidity) requirements imposed on banks following the global financial crisis. The SARB adaptation of the Basel III proposals within its local rules brings about a number of changes for the assessment of capital adequacy.

In calculating capital adequacy, the most material effect of the new SARB regulatory framework relates to the eligibility of capital to support minimum capital requirements. In particular, the rules impose tighter restrictions on the type of capital that qualifies as tier 1 capital and increase the regulatory minima of capital that must be held. Internal targets remain in excess of these increased minimum requirements.

Investec Limited uses the Standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory capital – Investec plc

Current regulatory framework

For the year ended 31 March 2013, Investec plc was regulated on a consolidated basis by the FSA. On 1 April 2013, the Prudential Regulation Authority (PRA) became extant, following the dissolution of the FSA into new regulatory bodies; the PRA and the Financial Conduct Authority. Going forward, the consolidated Investec plc group will be regulated for the setting of minimum capital requirements by the PRA. Investec plc operates under the Basel II framework implemented in the EU via the Capital Requirements Directive (CRD). This framework was subsequently implemented by the then FSA, in its own rulebooks.

Investec plc uses the Standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. The mark to market method is used to calculate the counterparty credit risk exposure amount. The market risk capital requirement is measured using an internal risk management model, approved by the UK Regulators, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

Various subsidiaries of Investec plc are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec plc group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Future developments

Basel III rules are in the process of being transposed into the CRD IV package, which includes a new regulation and directive. CRD IV is expected to take effect on 1 January 2014. Once the package is approved the regulation will be directly binding on Investec plc. The directive will require transposition into national law by the PRA, to take effect.

Where a subsidiary of Investec plc is subject to local regulatory requirements, local management is responsible for compliance with the entity's minimum regulatory requirements.

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited and Investec plc have always held capital in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, the group manages its capital position to meet a tier 1 capital target of 10.5% and a total capital adequacy ratio target of 14% to 17%. These targets are continuously assessed for appropriateness.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and prepared for. To allow the committee to carry out this function, the group's Regulatory and Capital Management teams closely monitor regulatory developments and regularly present to the committee on latest developments. As part of any assessment the committee is provided with analysis showing the group's capital adequacy taking into account the most up-to-date interpretation of those changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored.

Capital management

Philosophy and approach

Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital, as appropriate to that jurisdiction, and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both; with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate for the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy, and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term external rating of at least 'A'
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the Supervisory Review Process (SREP).

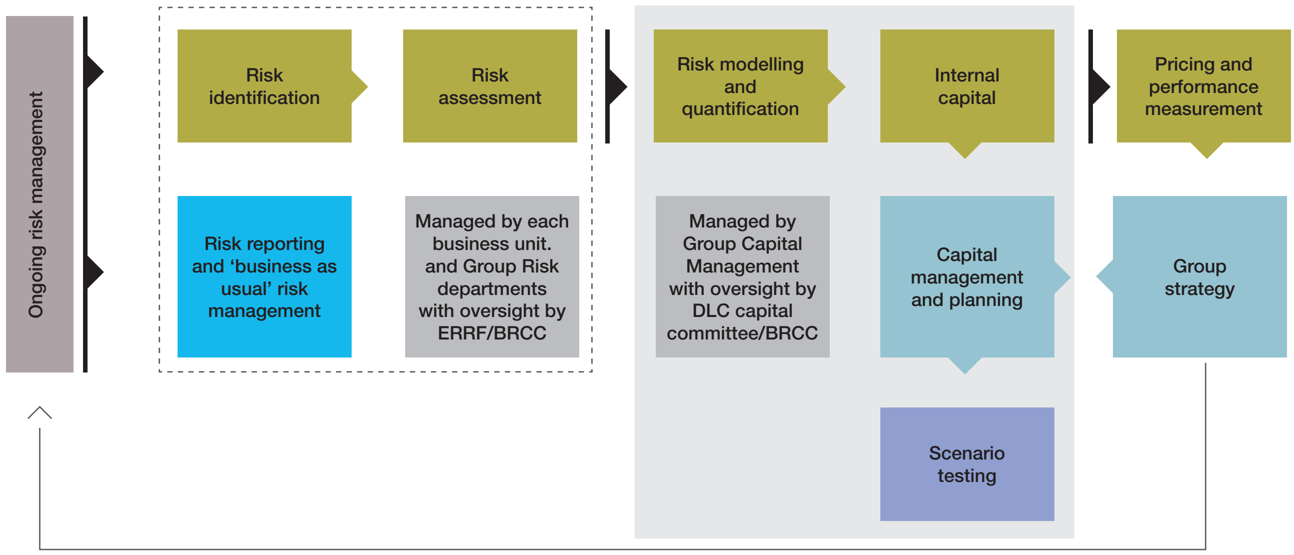
The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- Investment decision making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and tracking performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and reporting

We review the business continuously to maintain a close understanding of our universe of risks, which are analysed through the risk management governance framework under stewardship of BRCC. Key risks are reviewed and debated by senior management on a continuous basis. Assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Key identified risks are monitored by Group Risk Management and by Internal Audit to ensure that each risk is managed to an acceptable level. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting, including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit and counterparty risk
- Market risk
- Equity and investment risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Operational, conduct and reputational risk
- Legal risk (considered within operational risk for capital purposes).

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed by ERRF and BRCC.

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Market risk
- Equity and investment risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Banking book interest rate risk
- Strategic and reputational risks
- Pension risk (UK only)
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Capital planning and scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed on the basis of both regulatory and internal capital, with regulatory capital being the key driver of decision making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its targets against regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

For an assessment of return on equity and our return on internal capital utilised refer to pages 47 to 50 in volume one.

Capital disclosures

The tables that follow provide information as required in terms of Basel II and Basel III (where applicable).

Accounting and regulatory treatment of group subsidiaries

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc (IBP) and Investec Bank Limited (IBL) are the main banking subsidiaries of Investec plc and Investec Limited, respectively. Investec Bank (Australia) Limited (IBAL) is a subsidiary of IBP.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite.

The regulatory treatment of the group's principal subsidiaries and associates is set out below:

Investec plc

Identity of investment/ interest held	Regulator (capital adequacy)	% interest held	Regulatory treatment Fully consolidated	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
Bank controlling company Investec plc	Subject to consolidated supervision		Yes	UK	None
Investec 1 Limited	Subject to consolidated supervision	100%	Yes	UK	None
Regulated subsidiaries					
Banking and securities trading					
Investec Capital Asia Limited	Hong Kong Securities and Futures Commission	100%	Yes	Hong Kong	Subject to regulatory rules
Hero Nominees Limited	Guernsey Financial Services Commission	100%	Yes	Guernsey	Subject to regulatory rules
Investec Bank (Australia) Limited	Australian Prudential Regulation Authority/ ASIC/AUSTRAC	100%	Yes	Australia	Subject to regulatory rules
Investec Bank plc	FCA and PRA	100%	Yes	UK	Subject to regulatory rules
Investec Bank (Channel Islands) Limited	Guernsey Financial Services Commission/ Jersey Financial Services Commission	100%	Yes	Guernsey and Jersey	Subject to regulatory rules
Investec Bank (Switzerland) AG	Swiss Financial Market Supervisory Authority	100%	Yes	Switzerland	Subject to regulatory rules
Investec Capital & Investments (Ireland) Limited (formerly NCB Stockbrokers Limited)	Central Bank of Ireland	100%	Yes	Ireland	Subject to regulatory rules
Investec Trust (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes	Guernsey	Subject to regulatory rules
Investec Trust (Jersey) Limited	Jersey Financial Services Commission	100%	Yes	Jersey	Subject to regulatory rules
Investec Trust (Switzerland) S.A.	Association Roman des Intermediaries Financiers	100%	Yes	Switzerland	Subject to regulatory rules
Investec Securities (US) LLC	Securities and Exchange Commission/Financial Industry Regulatory Authority	100%	Yes	USA	Subject to regulatory rules
Kensington Mortgage Company Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Kensington Personal Loans Limited	FCA	100%	Yes	UK	Subject to regulatory rules

Investec plc (continued)

Identity of investment/ interest held	Regulator (capital adequacy)	% interest held	Regulatory treatment Fully consolidated	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
Regulated subsidiaries (continued)					
NUA Homeloans Limited	Central Bank of Ireland	100%	Yes	Ireland	Subject to regulatory rules
NUA Mortgages Limited	Central Bank of Ireland	100%	Yes	Ireland	Subject to regulatory rules
Start Mortgages Limited	Central Bank of Ireland	100%	Yes	Ireland	Subject to regulatory rules
Investec Wealth & Investment Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Investec Wealth & Investment Trustees Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Hargreave Hale Limited	FCA	35%	Proportionately consolidated	UK	Subject to regulatory rules
Williams de Broë Limited	FCA	100%	Yes	UK	Subject to regulatory rules
WDB Asset Management Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Williams de Broë Private Investment Management Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Asset Management					
Investec Asset Management Limited	FCA, Australian Securities Investment Commission, Securities and Exchange Commission	100%	Yes	UK	Subject to regulatory rules
Investec Asset Management US Limited	FCA, Securities and Exchange Commission	100%	Yes	UK	Subject to regulatory rules
Investec Fund Managers Limited	FCA	100%	Yes	UK	Subject to regulatory rules
Investec Asset Management Asia Limited	Hong Kong Securities and Futures Commission	100%	Yes	Hong Kong	Subject to regulatory rules
Investec Asset Management Guernsey Limited	Guernsey Financial Services Commission	100%	Yes	Guernsey	Subject to regulatory rules
Investec Asset Management Ireland Limited	Central Bank of Ireland	100%	Yes	Ireland	Subject to regulatory rules
Investec Asset Management Taiwan Limited	Taiwan Financial Supervisory Commission	100%	Yes	Taiwan	Subject to regulatory rules
Investec Asset Management Australia Pty Limited	Australian Securities and Investment Commission	100%	Yes	Australia	Subject to regulatory rules

Investec plc (continued)

Identity of investment/ interest held	Regulator (capital adequacy)	% interest held	Regulatory treatment Fully consolidated	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
Asset Management (continued)					
Investec Africa Frontier Private Equity Fund GP Limited	Guernsey Financial Services Commission	100%	Yes	Guernsey	Subject to regulatory rules
Unregulated subsidiaries	Not regulated subject to consolidated supervision				
Investec Holding Company Limited		100%	Yes	UK	None
Investec Group (UK) plc		100%	Yes	UK	None
Investec Asset Finance plc		100%	Yes	UK	None
Investec Asset Finance & Leasing Pty Limited (formerly Alliance Equipment Finance)		100%	Yes	Australia	None
Investec Professional Finance Pty Limited (formerly Investec Experien Pty Limited)		100%	Yes	Australia	None
Leasedirect Finance Limited		100%	Yes	UK	None
Investec Finance plc		100%	Yes	UK	None
Investec Group Investments (UK) Limited		100%	Yes	UK	None
Investec Ireland Limited		100%	Yes	Ireland	None
Investec Trust Holdings AG		100%	Yes	Switzerland	None
Kensington Group plc		100%	Yes	UK	None
Neontar Limited		100%	Yes	Ireland	None
Reichmans Geneva SA		100%	Yes	Switzerland	None
Rensburg Sheppards plc		100%	Yes	UK	None
Start Funding No 1 Limited		100%	Yes	Ireland	None
Start Funding No 2 Limited		100%	Yes	Ireland	None
St James's Park Mortgage Funding Limited		100%	Yes	UK	None
Investec Investments (UK) Limited (Formerly Guinness Mahon & Co Limited)		100%	Yes	UK	None

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings, other than indicated in the table above.

Investec Bank plc, a regulated subsidiary of Investec plc, applies the provisions laid down in BIPRU 2.1 (Solo-consolidation waiver) and reports to the UK Regulators on a solo-consolidation basis. Investec Bank plc has two solo-consolidation subsidiaries namely Investec Finance plc and Investec Investments (UK) Limited.

The FSA ceased to exist on 1 April 2013 and has been replaced by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Investec Limited

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment Fully consolidated	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec Limited group
Bank controlling company					
Investec Limited	SARB	100%	Yes	SA	None
Regulated subsidiaries banking and securities trading					
Investec Bank Limited	SARB	100%	Yes	SA	None
Investec Bank (Mauritius) Limited	Bank of Mauritius	100%	Yes	Mauritius	None
Investec Securities (Pty) Ltd	JSE/FSB	100%	Yes	SA	None
Asset Management					
Investec Asset Management Holdings (Pty) Ltd		100%	Yes	SA	None
Investec Asset Management (Pty) Ltd	FSB/JSE	100%	Yes	SA	None
Investec Fund Managers SA (RF) (Pty) Ltd	FSB/JSE	100%	Yes	SA	None
Insurance					
Investec Employee Benefits Holdings (Pty) Ltd	FSB	100%	Deconsolidated*	SA	None
Investec Employee Benefits Limited	FSB	100%	Deconsolidated*	SA	None
Investec Assurance Limited	FSB	100%	Deconsolidated from a regulatory perspective i.e. exposures to those entities are risk weighted*	SA	None
Unregulated subsidiaries	Not regulated subject to consolidated supervision				
Reichmans Holdings (Pty) Ltd		100%	Yes	SA	None
AEL Investment Holdings (Pty) Ltd		100%	Yes	SA	None
Investpref Limited		100%	Yes	SA	None
KWJ Investments (Pty) Ltd		100%	Yes	SA	None
Securities Equities (Pty) Ltd		100%	Yes	SA	None
Sechold Finance Services (Pty) Ltd		100%	Yes	SA	None

* *For regulatory purposes these entities are treated as external parties.*

Investec Limited (continued)

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment Fully consolidated	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec Limited group
Unregulated subsidiaries (continued)	Not regulated subject to consolidated supervision				
Investec Personal Financial Services (Pty) Ltd		100%	Yes	SA	None
Fedsure International (Pty) Ltd		100%	Yes	SA	None
Investec Share Plan Services (Pty) Ltd		100%	Yes	SA	None
Investec International Holdings (Gibraltar) Limited		100%	Yes	Gibraltar	None
World Axis Management (Pty) Ltd		100%	Yes	SA	None
Investec Group Data (Pty) Ltd		100%	Yes	SA	None
Fuzztique (Pty) Ltd		100%	Yes	SA	None
Investec Property Group Holdings (Pty) Ltd		100%	Yes	SA	None

No entities are given a deduction treatment for regulatory purposes.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings, other than indicated on the table above.

Capital management and allocation

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 84 to 94 in volume three.

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2013					
Tier 1 capital					
Shareholders' equity	1 848	1 895	596	19 819	21 975
Shareholders' equity per balance sheet	2 096	1 919	596	23 002	23 509
Perpetual preference share capital and share premium	(150)	–	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(98)	(24)	–	–	–
Non-controlling interests	(5)	(5)	–	–	–
Non-controlling interests per balance sheet	165	(5)	–	10	–
Non-controlling interests transferred to tier 1	(169)	–	–	–	–
Non-controlling interests excluded for regulatory purposes	–	–	–	(10)	–
Non-controlling interests in deconsolidated subsidiaries	(1)	–	–	–	–
Regulatory adjustments to the accounting basis	(31)	(10)	2	446	446
Unrealised losses on available-for-sale debt securities	2	2	–	–	–
Defined benefit pension fund adjustment	(22)	–	–	–	–
Unrealised gains on available-for-sale equities	(7)	(8)	2	–	–
Prudent valuation	(16)	(16)	–	–	–
Cash flow hedging reserve	12	12	–	446	446
Deductions	(600)	(476)	(193)	(235)	(90)
Goodwill and intangible assets net of deferred tax	(598)	(472)	(105)	(235)	(90)
Unconsolidated investments	–	–	(23)	–	–
Securitisation positions	(2)	(2)	(55)	–	–
Excess of deductions from additional tier 1	–	(2)	(10)	–	–
Core tier 1/common equity tier 1 capital	1 212	1 404	405	20 030	22 331
Additional tier 1 capital before deductions	299	–	–	4 222	1 381
Additional tier 1 instruments	299	–	–	4 717	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	–	(472)	(153)
Non-qualifying surplus capital attributable to minorities	–	–	–	(23)	–
Deductions	(4)	–	–	–	–
Unconsolidated investments	(4)	–	–	–	–
Total tier 1 capital	1 507	1 404	405	24 252	23 712

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Capital management and allocation (continued)

Capital structure and capital adequacy (continued)

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2013					
Tier 2 capital					
Total qualifying tier 2 capital before deductions	840	685	135	10 961	11 493
Unrealised gains on available-for-sale equities	7	8	–	–	–
Collective impairment allowances	120	20	–	122	122
Tier 2 instruments	713	657	25	12 496	12 496
Phase out of non-qualifying tier 2 instruments	–	–	110	(1 125)	(1 125)
Non qualifying surplus capital attributable to non-controlling interests	–	–	–	(532)	–
Deductions	(6)	(4)	–	(435)	–
Unconsolidated investments	(4)	(2)	–	–	–
Investments that are not material holdings or qualifying holdings	–	–	–	(435)	–
Securitisation positions	(2)	(2)	–	–	–
Total tier 2 capital	834	681	135	10 526	11 493
Total capital deductions	(22)	(19)	–	–	–
Investments that are not material holdings or qualifying holdings	(20)	(17)	–	–	–
Connected lending of a capital nature	(2)	(2)	–	–	–
Total regulatory capital	2 319	2 066	540	34 778	35 205
Risk-weighted assets	13 755	12 657	3 422	223 865	217 715
Capital ratios					
Core tier 1 ratio/common equity tier 1 ratio	8.8%	11.1%	11.8%	8.9%	10.3%
Tier 1 ratio	11.0%	11.1%	11.8%	10.8%	10.9%
Total capital ratio	16.9%	16.3%	15.8%	15.5%	16.2%

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Capital management and allocation (continued)

Capital structure and capital adequacy (continued)

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2012					
Tier 1 capital					
Shareholders' equity	1 847	1 723	589	17 818	19 399
Shareholders' equity per balance sheet	2 071	1 728	589	20 698	20 933
Perpetual preference share capital and share premium	(150)	–	–	(2 880)	(1 534)
Deconsolidation of special purpose entities	(74)	(5)	–	–	–
Non-controlling interests	(3)	(2)	–	–	–
Non-controlling interests per balance sheet	164	(2)	–	10	–
Non-controlling interests transferred to tier 1	(167)	–	–	–	–
Non-controlling interests excluded for regulatory purposes	–	–	–	(10)	–
Regulatory adjustments to the accounting basis	(19)	(1)	–	505	437
Unrealised losses on available-for-sale debt securities	6	7	–	–	–
Defined benefit pension fund adjustment	(19)	–	–	–	–
Unrealised gains on available-for-sale equities	(13)	(14)	–	(19)	(64)
Prudent valuation	(3)	(3)	–	–	–
Cash flow hedging reserve	10	9	–	253	253
Foreign currency translation reserve	–	–	–	271	248
Deductions	(628)	(401)	(155)	(514)	(344)
Goodwill and intangible assets net of deferred tax	(605)	(379)	(101)	(266)	(96)
Unconsolidated investments	–	–	(7)	–	–
Securitisation positions	(23)	(22)	(35)	(248)	(248)
Excess of deductions from additional tier 1	–	–	(12)	–	–
Core tier 1 capital	1 197	1 319	434	17 809	19 492
Additional tier 1 capital before deductions	296	–	–	4 414	1 534
Additional tier 1 instruments	296	–	–	4 414	1 534
Total tier 1 capital	1 493	1 319	434	22 223	21 026

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Capital management and allocation (continued)

Capital structure and capital adequacy (continued)

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2012					
Tier 2 capital					
Total qualifying tier 2 capital before deductions	809	649	98	8 915	8 915
Unrealised gains on available-for-sale equities	13	14	–	–	–
Collective impairment allowances	101	7	–	206	206
Tier 2 instruments	695	628	98	8 709	8 709
Deductions	(23)	(22)	(7)	(248)	(248)
Unconsolidated investments	–	–	(7)	–	–
Securitisation positions	(23)	(22)	–	(248)	(248)
Total tier 2 capital	786	627	91	8 667	8 667
Total capital deductions	(31)	(26)	–	–	–
Investments that are not material holdings or qualifying holdings	(21)	(16)	–	–	–
Connected lending of a capital nature	(10)	(10)	–	–	–
Total regulatory capital	2 248	1 920	525	30 890	29 693
Risk-weighted assets	12 827	11 421	2 981	192 376	184 253
Capital ratios					
Core tier 1 ratio	9.3%	11.5%	14.6%	9.3%	10.6%
Tier 1 ratio	11.6%	11.5%	14.6%	11.6%	11.4%
Total capital ratio	17.5%	16.8%	17.6%	16.1%	16.1%

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Capital management and allocation (continued)

Capital requirements

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2013					
Capital requirements	1 100	1 013	446	21 268	20 681
Credit risk – prescribed standardised exposure classes	843	797	380	15 360	14 798
Corporates	261	259	142	9 498	9 023
Secured on real estate property	232	224	16	1 513	1 513
Short-term claims on institutions and corporates	35	38	3	2 223	2 155
Retail	102	102	154	326	325
Institutions	15	15	9	1 058	1 058
Other exposure classes	184	145	55	91	73
Securitisation exposures	14	14	1	651	651
Equity risk – Standardised approach	32	32	–	2 845	3 472
Listed equities	4	4	–	145	789
Unlisted equities	28	28	–	2 700	2 683
Counterparty credit risk	26	26	9	716	716
Market risk	61	61	6	449	426
Interest rate	23	22	6	117	117
Foreign exchange	12	13	–	74	74
Commodities	–	–	–	2	2
Equities	24	24	–	256	233
Options	2	2	–	–	–
Operational risk – Standardised approach	138	97	51	1 898	1 269
As at 31 March 2012					
Capital requirements	1 026	915	388	18 276	17 504
Credit risk – prescribed standardised exposure classes	793	732	318	13 085	12 965
Corporates	233	226	256	7 881	7 773
Secured on real estate property	247	239	4	1 246	1 246
Short-term claims on institutions and corporates	24	28	2	2 041	2 033
Retail	76	76	–	314	314
Institutions	14	14	14	1 125	1 125
Other exposure classes	177	127	39	96	92
Securitisation exposures	22	22	3	382	382
Equity risk – Standardised approach	26	26	9	2 428	2 376
Listed equities	2	2	2	281	229
Unlisted equities	24	24	7	2 147	2 147
Counterparty credit risk	21	21	9	498	498
Market risk	56	53	2	463	421
Interest rate	16	16	2	125	125
Foreign exchange	11	8	–	120	120
Commodities	–	–	–	2	2
Equities	20	20	–	216	174
Options	9	9	–	–	–
Operational risk – Standardised approach	130	83	50	1 802	1 244

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Capital management and allocation (continued)

Risk-weighted assets

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
As at 31 March 2013					
Risk-weighted assets (banking and trading)	13 755	12 657	3 422	223 865	217 715
Credit risk – prescribed standardised exposure classes	10 536	9 956	2 914	161 678	155 781
Corporates	3 253	3 223	1 095	99 975	94 983
Secured on real estate property	2 904	2 799	122	15 925	15 925
Short-term claims on institutions and corporates	433	470	20	23 397	22 685
Retail	1 276	1 276	1 180	3 428	3 426
Institutions	193	193	69	11 141	11 141
Other exposure classes	2 296	1 814	424	959	768
Securitisation exposures	181	181	4	6 853	6 853
Equity risk – Standardised approach	398	396	–	29 948	36 548
Listed equities	47	47	–	1 531	8 306
Unlisted equities	351	349	–	28 417	28 242
Counterparty credit risk	328	330	68	7 537	7 537
Market risk	762	767	47	4 728	4 488
Interest rate	286	275	43	1 229	1 229
Foreign exchange	150	166	4	783	783
Commodities	–	–	–	20	20
Equities	296	296	–	2 696	2 456
Options	30	30	–	–	–
Operational risk – Standardised approach	1 731	1 208	393	19 974	13 361
As at 31 March 2012					
Risk-weighted assets (banking and trading)	12 827	11 421	2 981	192 376	184 253
Credit risk – prescribed standardised exposure classes	9 916	9 140	2 448	137 737	136 476
Corporates	2 909	2 819	1 971	82 961	81 824
Secured on real estate property	3 093	2 983	32	13 117	13 117
Short-term claims on institutions and corporates	301	355	13	21 489	21 401
Retail	950	950	–	3 301	3 301
Institutions	176	176	109	11 846	11 846
Other exposure classes	2 213	1 583	303	1 006	970
Securitisation exposures	274	274	20	4 017	4 017
Equity risk – Standardised approach	325	321	66	25 558	25 011
Listed equities	26	25	16	2 954	2 407
Unlisted equities	299	296	50	22 604	22 604
Counterparty credit risk	268	264	68	5 245	5 245
Market risk	695	659	16	4 867	4 424
Interest rate	195	195	14	1 314	1 314
Foreign exchange	134	98	–	1 266	1 266
Commodities	1	1	2	17	17
Equities	251	251	–	2 270	1 827
Options	114	114	–	–	–
Operational risk – Standardised approach	1 623	1 037	383	18 969	13 097

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Analysis of rated counterparties in each standardised credit exposure class

Investec plc

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

Credit quality step	Risk weight	31 March 2013 Exposure £'million	31 March 2013 Exposure after credit risk mitigation £'million	31 March 2012 Exposure £'million	31 March 2012 Exposure after credit risk mitigation £'million
Central banks and sovereigns					
1	0%	3 068	3 068	3 831	3 831
2	20%	–	–	–	–
3	50%	–	–	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	142	142	196	196
2	50%	229	229	262	262
3	50%	57	57	3	3
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short-term claims on institutions					
1	20%	147	147	167	167
2	20%	697	487	572	411
3	20%	10	10	13	13
4	50%	32	32	6	6
5	50%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of more than three months					
1	20%	106	19	302	214
2	50%	263	172	132	106
3	50%	276	11	579	15
4	100%	1	1	1	1
5	100%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of less than three months					
1	20%	251	21	874	183
2	50%	822	96	384	167
3	50%	551	136	72	19
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	–	–	92	92
2	50%	12	12	17	17
3	100%	173	173	16	16
4	100%	–	–	15	15
5	150%	15	15	14	14
6	150%	–	–	–	–
Securitisation positions					
1	20%	163	163	163	163
2	50%	51	51	90	90
3	100%	25	25	36	36
4	350%	16	16	13	13
5	1250%	4	4	29	29
Re-securitisation positions					
1	40%	36	36	165	165
2	100%	9	9	16	16
3	225%	4	4	11	11
4	650%	–	–	1	1
5	1250%	–	–	16	16
Total rated counterparty exposure		7 160	5 136	8 088	6 288

Analysis of rated counterparties in each standardised credit exposure class

Investec Limited

The capital requirement disclosed as held against credit risk as at 31 March 2013 includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality no detail has been provided on this risk in the following analysis.

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings as at 31 March 2013.

		31 March 2013		31 March 2012	
Credit quality step	Risk weight	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns					
1	0%	39 475	39 475	38 679	38 679
2	20%	–	–	–	–
3	50%	42	42	29	29
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	627	466	2 450	2 308
2	50%	10 180	10 180	15 901	12 239
3	50%	12 665	12 664	10 185	10 171
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short-term claims on institutions					
1	20%	1 083	1 083	841	841
2	20%	9 111	9 111	12 324	12 324
3	20%	6 646	6 646	1 745	1 745
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	444	367	1 052	620
2	50%	1 315	822	149	149
3	100%	3 050	1 223	142	142
4	100%	672	264	125	125
5	150%	–	–	–	–
6	150%	–	–	–	–
Securitisation positions					
1	20%	788	788	1 332	1 332
2	50%	4 124	4 124	2 691	2 691
3	100%	1 357	1 357	980	980
4	350%	369	369	286	286
5	1 250%	62	62	496	496
Total rated counterparty exposure		92 010	89 043	89 407	85 157

Credit ratings

In terms of our dual listed companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank plc, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings as at 31 March 2013 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc	Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc
Fitch					
Long-term ratings					
Foreign currency	BBB-	BBB-		BBB-	BBB-
National		A+(zaf)			
Short-term ratings					
Foreign currency	F3	F3		F3	F3
National		F1 (zaf)			
Viability rating	bbb-	bbb-		bbb-	
Support rating	5	3		5	3
Moody's					
Long-term deposit ratings					
Foreign currency		Baa1	Ba1	Baa3	Ba1
National		Aa3 (za)			
Short-term deposit ratings					
Foreign currency		Prime-2	Non-prime	Prime-3	Non-prime
National		P1 (za)			
Bank financial strength rating		C-		D+	D
Global Credit Ratings					
Local currency					
Short-term rating		A1+(za)		A2	
Long-term rating		AA-(za)		BBB+	

Internal audit

Internal Audit activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

As a result of the regulatory responsibilities arising from the DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. Investec Bank (Australia) Limited and Investec Bank plc (Irish Branch) have their own internal audit functions reporting into Investec plc Internal Audit. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of internal audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee. They operate independently of executive management but have access to their local chief executive officer. The heads of internal audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes the heads of internal audit also report to the global head of corporate governance and compliance. The functions comply with the international standards for the professional practice of internal auditing.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. High risk businesses and processes are audited at least every 18 months, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to each audit committee. If there are concerns in relation to overdue issues, these will be escalated to the executive risk review forum to expedite resolution.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment including the requirements of King III in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal audit resources are subject to review by the respective audit committees.

Compliance

In keeping with our core values, Investec endeavours to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our customers and shareholders at the forefront of the corporate agenda. We also seek to bring high standards of compliance practice to all our jurisdictions in order to build trust and promote the quality of service to our colleagues and clients.

Compliance risk is the risk that Investec fails to comply with the letter and spirit of statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. At Investec we manage compliance risk through internal policies and processes, which include legal, regulatory and operational requirements relevant to the business. Those responsible for compliance work closely with the business and operational units to ensure consistent management of compliance risk. They also provide regular training and advice on emerging policy issues to ensure that all employees are familiar with their regulatory obligations.

As well as monitoring the business units to ensure adherence to policies and procedures, compliance officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all jurisdictions.

In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities, key compliance functions include ensuring that the business is not being used for money laundering, terrorist financing or market abuse, that customers are fairly treated and afforded the necessary consumer protections and that conflicts of interests are adequately identified and managed. Current regulatory themes and developments in these and other areas are covered in the respective jurisdictions' year in review below.

The volume of regulatory pressure on the sector to implement reforms has continued to be resource intensive, with little indication that the rate of regulatory intervention is likely to slow down in the near future. Despite this pressure, Investec has continued to successfully adapt to the changing landscape by dedicating significant resources to monitoring, analysing and implementing regulatory developments as they arise.

UK and Europe – year in review

We have seen a continued effort by the UK and European supervisory authorities to enhance stability and resilience in the banking and advice sector by focusing on structural reforms and macro-prudential regulation; specifically in relation to capital, resolution, liquidity and market infrastructure.

Structural banking reform

On 4 February 2013, the UK Government introduced the Financial Services (Banking Reform) Bill to the House of Commons. The Bill would give the UK authorities the powers to implement the key recommendations of the Independent Commission on Banking (ICB) on banking reform, which include:

- Retail ring-fence: this involves the fencing of the UK and European Economic Area (EEA) retail banking activities of a UK bank in a legally distinct, operationally separate and economically independent entity within the same group
- Higher capital and loss absorbency requirements: the increase of the loss-absorbing capacity of ring-fenced banks
- Depositor protection: the Bill gives depositors protection under the Financial Services Compensation Scheme preference if a bank enters insolvency.

The Bill contains a *de minimis* exemption from the requirement to ring-fence, which is expected to be relevant to all but the largest deposit takers. It is expected that Investec will fall within this *de minimis* exemption and will therefore be out of scope from the ring-fencing requirement.

Reforms of the UK regulatory framework

In the last year the UK financial regulator has been working towards implementing the legislative split into twin regulators. As of 1 April 2013 the FSA will be split into two organisations focusing on primarily prudential and conduct matters separately. The Prudential Regulatory Authority (PRA) will prudentially supervise large banks and insurance firms, whilst the Financial Conduct Authority (FCA) will supervise all firms on conduct matters. The FCA will also be prudentially responsible for some smaller firms. Each regulator has set out their agenda for future regulatory activities and they have revealed a number of new supervisory tools that will enable them to regulate firms with the intention of pursuing market integrity and good consumer outcomes. Investec continues to monitor the changes to the regulatory landscape and to adapt to the shift in supervisory priorities.

Retail Distribution Review/ Mortgage Market Review

On 31 December 2012 the FSA embedded the proposals on the Retail Distribution Review (RDR), which aim to improve the quality of service provided to clients in the advice sector. By imposing minimum qualification standards for advisers; requiring firms to have more transparent charging practices; and disclosing more clearly the parameters within which advice is provided i.e. independent or restricted, the UK Regulator hopes to rebuild trust in the IFA and investment management community as well as improve outcomes for retail clients. Whilst impact on Investec Bank plc has been limited, RDR is relevant to Investec Wealth & Investment. This is particularly regarding charging structures and the qualifications advisers have had to attain to continue to provide advice. Investec Wealth & Investment has implemented RDR and is continuing to monitor its impact on the business and client outcomes.

The Mortgage Market Review is the mortgage market equivalent of the RDR, focusing on outcomes for clients in the mortgage space. Investec is continuing to track the proposals through the consultation process and is working towards embedding necessary changes by April 2014.

South Africa – year in review

Following from National Treasury's publication of the Red Book (which includes South Africa's regulatory response to the global financial crisis) and various G20 commitments, we have been subject to an unprecedented volume of regulatory activity (new or enhanced regulation and policies, and extensively enhanced reporting), in both the prudential and market areas, such as: Basel III, Solvency and Asset Management, Financial Markets Act, hedge funds, collective investment schemes, and the National Credit Act.

With the 'Twin Peaks' model of regulation having been identified as the most appropriate model going forward with separate regulators being responsible for prudential and market conduct regulation across industries, a variety of South African legislation needs to be amended to ensure each regulator has the appropriate authority and scope to enable adequate regulation. To initiate this process the Financial Services Board (FSB) has published 'The Roadmap: Treating Customers Fairly (TCF)' which sets out their programme and intended timelines for market conduct regulation. The six principles set out by the FSB mirror the equivalent principles published by the UK Regulators. A further development, in February 2013, was the publication of the document Implementing a Twin Peaks Model of Financial Regulation in South Africa. The document outlines National Treasury's proposals for the splitting of regulatory functions between a prudential and market conduct regulator, and the functions of a systemic regulator.

Investec is participating in both the TCF and Twin Peaks industry work-streams.

Consumer protection

Consumer protection regulation remains a key focus into 2013 with additional emphasis on aligning existing processes with the TCF Roadmap published by the FSB.

As required by FAIS, the fit and proper status of representatives and key individuals of all licensed Investec financial services providers (FSPs) is monitored on an ongoing basis and the requisite reports are made to the FSB.

The National Credit Regulator (NCR) commissioned a review of the National Credit Act (NCA) policy, in anticipation of amendments to the NCA. The University of Pretoria undertook the review, and Investec participated in the workshops held with the Banking Association of South Africa (BASA). The NCR will present the results of the review to Parliament early this year, and it is anticipated that they will commence with amendments thereafter.

The most recent draft of the Protection of Personal Information Bill (POPI) was debated at the Technical Working Committee during March 2012. Once enacted POPI will have a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to the Investec group and subsidiaries.

Anti-money laundering and terror financing

The Anti-Money Laundering (AML) supervisory landscape has been amended. The Financial Intelligence Centre (FIC), who historically filled the role as both compliance supervisor on AML matters as well as the designated country Financial Intelligence Unit (FIU), has assumed the responsibility of compliance supervisor only on matters relating to the requirement to register as an accountable institution with the FIC as well as reporting of suspicious transaction reports, counter-terrorist financing reports and cash threshold reports.

An accountable institution's primary supervisor assumes the responsibility of supervising compliance on all other AML matters.

Australia – year in review

Reform within the Australian regulatory framework

Consistent with many other financial centres, the velocity of regulatory change in the Australian banking and financial services sector has remained relatively high and the regulatory environment is becoming increasingly complex. A notable change is the increasing prevalence of real-time impacts of US and European regulatory reforms on the Australian market. Notable examples of these include the US Dodd-Frank Act and Foreign Account Tax Compliance Acts.

Consumer protection

Australian Securities and Investments Commission (ASIC), the Australian regulator responsible for consumer protection in relation to credit and financial products, identifies confident and informed investors and financial consumers as one of their three key priorities and it continues to attract significant resource contributions.

During the course of the year ASIC created or refreshed regulatory guidance on a number of consumer-related topics, including marketing and advertising; training for representatives who provide advice to retail clients; and market integrity rules. Although guidance is generally not prescriptive, it is indicative of the regulator's expectations and often provides a best practice standard that requires consideration by all licensed firms.

Legislation and regulations to effect the Australian government's 'Future of Financial Advice Reform' have been published and come into effect on 1 July 2013. The reforms, which modify the operation of current legislation, prohibits conflicted remuneration in the retail advice sector, creates a requirement for advisers to act in the best interests of clients and aims to improve transparency of fees.

Anti-money laundering and counter-terrorism financing

During the year, the Australian Government introduced an amended funding model for Australia's AML/CTF regulator, Australian Transaction Reports and Analysis Centre (AUSTRAC), which includes a supervisory levy for reporting entities.

Investec Australia has updated triggers on transaction reporting and implemented new external monitoring arrangements with the introduction of transaction banking through the launch of a credit card product.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 48 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Refer to calculation on page 29

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, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to pages 49 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to pages 49 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating 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 47 in volume one

Non-operating items

Reflects profits and/or losses on termination or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 48 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 48 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 94

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 & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 49 in volume three

Investec financials and shareholder information report 2013

volume three

Out of the Ordinary®

Investec

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

David Miller
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London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited

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Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27 11) 286 7000
Facsimile (27 11) 291 1806

Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Transfer secretaries in the UK

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The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone (44) 870 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
Samuel E Abrahams
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland*
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

* *Appointed on 1 March 2013.*

For contact details for Investec offices internationally refer to pages 122 and 123.

For queries regarding information in this document

Investor Relations

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(44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/en_za/#home/investor_relations.html

About this report

The 2013 integrated annual report covers the period 1 April 2012 to 31 March 2013 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback, invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For the year ended 31 March 2013, Investec plc and Investec Bank plc were regulated by the UK Financial Services Authority (FSA).However, on 1 April 2013 the FSA was abolished and the majority of its functions transferred to two new regulators: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). On the same date, the Bank of England (BoE) took over the FSA's responsibilities for financial market infrastructures and a Financial Policy Committee (FPC) was established on a statutory basis in the UK. Going forward, IBP will be authorised by the PRA and regulated by the FCA and the PRA. Kensington, Investec Wealth & Investment and Investec Asset Management will be authorised and regulated by the FCA. Accordingly, all references to the UK regulator in this annual report are to the FCA and PRA.

volume **one**

Investec overview, governance, sustainability and remuneration report

volume **two**

Investec risk and Basel Pillar III disclosures report

volume **three**

Investec financials and shareholder information report

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on the inside back cover

Page references

Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

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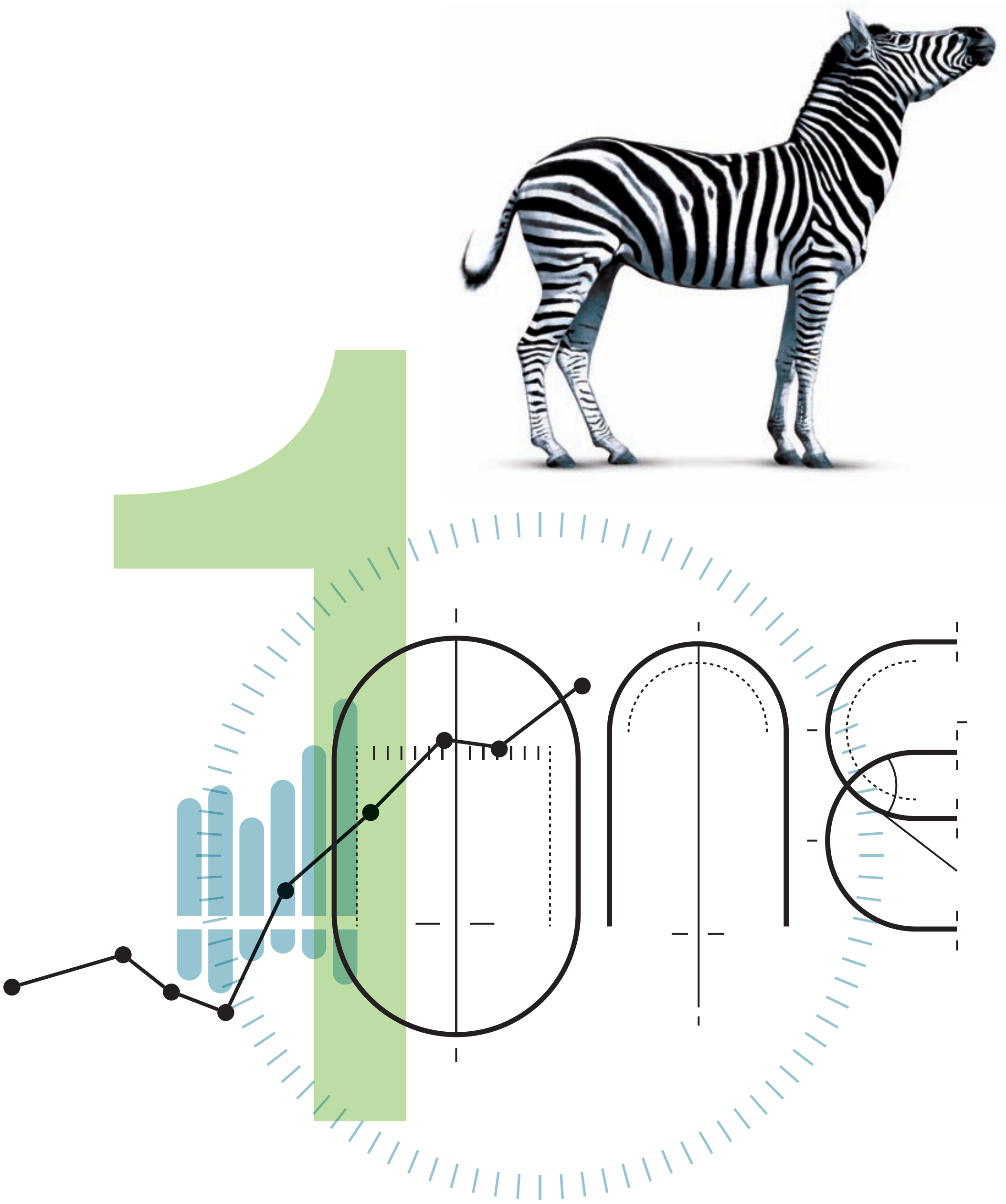
2 Shareholder information



Financial
statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 11 to 13, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the combined consolidated financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated financial statements that fairly present the state of affairs of the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group audit committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business
- The group audit committee, together with Internal Audit, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The financial statements of the companies and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa and comply with IFRS and Article 4 of the IAS regulation and comply with UK GAAP in respect of Investec plc parent company accounts.

The directors are of the opinion, based on their knowledge of the companies, key processes in operation and specific enquiries, that adequate resources exist to support the companies on a going concern basis over the next year. These financial statements have been prepared on that basis.

It is the responsibility of the independent auditors to report on the combined consolidated financial statements. Their reports to the members of the companies are set out on pages 11 to 13 in volume three of this report. As far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware. All relevant audit information has been provided to the companies' auditors.

Approval of financial statements

The directors' report and the financial statements of the companies and the group, which appear on pages 5 to 10 and pages 14 to 115, were approved by the board of directors on 11 June 2013.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

11 June 2013

Annual financial statements

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Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2013, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Benita Coetsee
Company secretary, Investec Limited

11 June 2013

Directors' report

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

The operating financial review on pages 19 and 20 in volume one provides an overview of our strategic position, performance during the financial year and outlook for the business.

It should be read in conjunction with the sections on pages 21 to 136 in volume one and pages 1 to 100 in volume two which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

Authorised and issued share capital

Investec plc and Investec Limited

Details of the share capital are set out in note 43 to the financial statements.

Investec plc

During the year, the following shares were issued:

- 6 857 159 ordinary shares on 14 June 2012 at 329.00 pence per share
- 3 618 943 special converting shares on 14 June 2012 at par.

Investec Limited

During the year, the following shares were issued:

- 3 494 641 non-redeemable, non-cumulative, non-participating preference shares on 25 April 2012 at R86.90 (R0.01 par and premium of R86.89 per share)
- 3 618 943 ordinary shares on 14 June 2012 at R43.78 (R0.0002 par and premium of R42.7798 per share)
- 6 857 159 special convertible redeemable preference shares on 14 June 2012 of R0.0002 each at par.

As at 31 March 2013, Investec Limited held 19.7 million shares in treasury (2012: 16.6 million). Investec plc held 10.3 million shares in treasury (2012: 7.2 million). The maximum number of shares held in treasury by Investec Limited during the period under review was £19.7 million.

Financial results

The combined results of Investec plc and Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2013. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend was declared to shareholders as follows:

- 8.0 pence per ordinary share to non-South African resident shareholders (2012: 8.0 pence) registered on 14 December 2012
- To South African resident shareholders registered on 14 December 2012, a dividend paid by Investec Limited on the SA DAS share, equivalent to 7.0 pence (2012: 8.0 pence) per ordinary share and 1.0 pence (2012: 2.0 pence) per ordinary share paid by Investec plc.

The dividends were paid on 28 December 2012.

The directors have proposed a final dividend to shareholders registered on 2 August 2013, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 8 August 2013 and, if approved, will be paid on 12 August 2013 as follows:

- 10 pence per ordinary share to non-South African resident shareholders (2012: 9.0 pence) registered on 2 August 2013
- To South African resident shareholders registered on 2 August 2013, through a dividend paid by Investec Limited on the SA DAS share, of 8 pence per ordinary share and 2 pence per ordinary share paid by Investec plc. Shareholders in Investec plc will receive a distribution of 10 pence (2012: 9.0 pence) per ordinary share.

Investec Limited

An interim dividend of 112.0 cents per ordinary share (2012: 103.0 cents) was declared to shareholders registered on 14 December 2012 and was paid on 28 December 2012.

The directors have proposed a final dividend of 144 cents per ordinary share (2012: 121.0 cents) to shareholders registered on 2 August 2013 to be paid on 12 August 2013. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 8 August 2013.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 13 for the period 1 April 2012 to 30 September 2012, amounting to 7.521 pence per share, was declared to members holding preference shares registered on 7 December 2012 and was paid on 18 December 2012.

Preference dividend number 14 for the period 1 October 2012 to 31 March 2013, amounting to 7.47945 pence per share, was declared to members holding preference shares registered on 14 June 2013 and will be paid on 25 June 2013.

Rand denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 3 for the period 1 April 2012 to 30 September 2012, amounting to 419.17123 cents per share, was declared to members holding Rand denominated non-redeemable, non-cumulative, non-participating preference shares registered on 7 December 2012 and was paid on 18 December 2012.

Preference dividend number 4 for the period 1 October 2012 to 31 March 2013, amounting to 402.64384 cents per share, was declared to members holding preference shares registered on 14 June 2013 and will be paid on 25 June 2013.

Preferred securities

The sixth annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, is due and will be paid on 24 June 2013.

Investec Limited

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 16 for the period 1 April 2012 to 30 September 2012, amounting to 343.14681 cents per share, was declared to members holding preference shares registered on 7 December 2012 and was paid on 18 December 2012.

Preference dividend number 17 for the period 1 October 2012 to 31 March 2013, amounting to 329.61696 cents per share, was declared to members holding preference shares registered on 14 June 2013 and will be paid on 25 June 2013.

Redeemable cumulative preference shares

Dividends amounting to R24 152 712 were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 99 and 100 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2013 annual general meeting, other than SE Abrahams who will not offer himself for re-election.

D Friedland was appointed to the board on 1 March 2013.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 129 to 132 in volume one.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 81 to 83 in volume one.

Share incentive trusts

Details regarding options granted during the year are set out on page 46.

Audit committee

The audit committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committee are set out on pages 90 to 93 in volume one.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to re-appoint them as auditors will be proposed at the next annual general meeting scheduled to take place on 8 August 2013.

Contracts

Refer to pages 129 to 131 in volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 104 to 106.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 118.

Special resolutions

Investec plc

At the annual general meeting held on 2 August 2012, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own shares in terms of section 701 of the UK Companies Act, 2006.

Investec Limited

At the annual general meeting held on 2 August 2012, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of the provisions of the South African Companies Act No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act No 71 of 2008
- Article 152 of the existing Memorandum of Incorporation of Investec Limited was amended by the deletion of certain paragraphs and the replacement thereof by new paragraphs
- The abrogation of the existing Memorandum of Incorporation of Investec Limited in its entirety and the replacement thereof with a new Memorandum of Incorporation.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards.

The parent company accounts of Investec plc continue to be drawn up under UK

Generally Accepted Accounting Practice (UK GAAP).

These policies are set out on pages 22 to 30.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 4 to 97 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 26 and in notes 24 and 53.

Creditor payment policy

The group's standard practice is to agree the terms of payment with suppliers at the time of contract and make payments within the agreed credit terms, subject to satisfactory performance.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided on pages 103 to 105 in volume one.

Donations

During the year, Investec plc made donations for charitable purposes, totalling £3.1 million and Investec Limited made donations for charitable purposes, totalling R70.6 million.

Further information is provided on pages 106 to 108 in volume one.

Environment

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information can be found on pages 102 to 111 in volume one.

Going concern

Refer to pages 83 and 84 in volume one for the directors' statement in relation to going concern.

Post-balance sheet events

Investec Asset Management senior management to acquire 15% shareholding in Investec Asset Management

As announced on 14 March 2013, the boards of directors of Investec have reached an agreement with Forty Two Point Two (NewCo) and the senior management team of Investec Asset Management Limited and Investec Asset Management Holdings (Pty) Ltd (together Investec Asset Management) to acquire an initial 15% shareholding (the Interest) in Investec Asset Management for £180 million in cash. NewCo has also been granted an option (the Option) to acquire up to a further 5% of Investec Asset Management equity over the next seven years (together with the Interest, the 'Transaction'). The Participants, led by Investec Asset Management chief executive officer, Hendrik du Toit, comprise 40 senior management and employees of Investec Asset Management. The option for NewCo to acquire up to a further 5% of Investec Asset Management equity over the next seven years will provide an opportunity for wider participation amongst Investec Asset Management employees. The Transaction is conditional upon, among other things, the approval of shareholders of Investec plc and Investec Limited at general meetings to be convened for that purpose as well as certain regulatory approvals. Subject to the conditions being met, completion of the Transaction is expected to take place in the third quarter of 2013.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006).

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser	Fani Titi	Stephen Koseff
Joint chairman	Joint chairman	Chief executive officer

11 June 2013

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2013 consists of 605 196 771 ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 2 275 940 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 279 639 164 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the uncertificated securities regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the Companies Act 2006 members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- To receive a non-cumulative preferential dividend out of the profits of Investec plc in priority to the plc ordinary shares but *pari passu* with the perpetual preference shares, on such dates in respect of such periods and on such other terms and conditions as may be determined by the directors prior to the allotment thereof
- The plc preference shares will rank as regards participation in profits *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with the perpetual preference shares
- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank *pari passu* therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding-up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right on a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail as at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with Article 150.2(e)(ii) after six months from the due date thereof; and
  - A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

Investec plc has 2 275 940 ZAR preference shares in issue. The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Sterling perpetual preference shares, as outlined above, save that they are denominated in South African Rand.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

In accordance with the Articles of Association, one-third of the directors are required to retire by rotation. Furthermore, all those directors serving for longer than nine years are required to stand for annual re-election. In accordance with the UK Corporate Governance Code (the Code) all members of the board offer themselves for annual re-election.

Investec plc may by ordinary resolution in accordance with the relevant provisions of the Articles appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next annual general meeting and shall then be eligible for re-election.

Powers of directors

Subject to the Articles, the Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Association of both Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's report to members of Investec plc

We have audited the financial statements of Investec plc for the year ended 31 March 2013 which comprise the group combined consolidated income statement, the group combined consolidated statement of comprehensive income, the group combined consolidated balance sheet, the parent company balance sheet, the group combined consolidated cash flow statement, the group accounting policies set out on pages 22 to 30 and the related notes 1 to 58, and the parent company accounting policies set out on page 109 and the related notes b to i. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the United Kingdom Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies set out on pages 22 to 30, the group, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

The information given in the corporate governance report set out on pages 81 to 98 of the Investec overview, governance, sustainability and remuneration report 2013 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
  - Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
  - The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
  - Certain disclosures of directors' remuneration specified by law are not made; or

- – We have not received all the information and explanations we require for our audit; or
- – A corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- The directors' statement, set out on pages 83 and 84 of the Investec Overview, Governance, Sustainability and Remuneration Report 2013, in relation to going concern;
- The part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the board on directors' remuneration.

Ernst & Young LLP

Angus Grant
Senior statutory auditor
for and on behalf of Ernst & Young LLP
Statutory Auditor

London
11 June 2013

Notes:

1. *The maintenance and integrity of the Investec plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Independent auditor's report to members of Investec Limited

We have audited the accompanying group annual financial statements of Investec Limited, which comprise the directors' report, the combined consolidated balance sheet as at 31 March 2013, the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated statement of changes in equity and combined consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 14 to 107 within volume three, the separate annual financial statements of Investec Limited, which comprise the separate balance sheet as at 31 March 2013, the separate income statement and statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 111 to 115 within volume three and the information in the risk management section within volume two and remuneration report within volume one that is marked audited.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined consolidated and separate annual financial statements present fairly, in all material respects, the combined consolidated and separate financial position of Investec Limited at 31 March 2013, and its combined consolidated and separate financial performance and combined consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2013, we have read the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc

Ernst & Young Inc.
Registered Auditors
Director – Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor

Wanderers Office Park
52 Corlett Drive, Illovo

Sandton
11 June 2013

Combined consolidated income statement

For the year to 31 March £'000	Notes	2013	2012
Interest income	2	2 131 765	2 299 925
Interest expense	2	(1 429 239)	(1 600 878)
Net interest income		**702 526**	**699 047**
Fee and commission income	3	1 117 551	1 013 379
Fee and commission expense	3	(144 876)	(129 145)
Investment income	4	182 889	174 327
Trading income arising from			
– customer flow		70 859	77 066
– balance sheet management and other trading activities		35 398	32 204
Other operating income	5	42 153	65 128
Total operating income before impairment losses on loans and advances		**2 006 500**	**1 932 006**
Impairment losses on loans and advances	27	(251 012)	(325 118)
Operating income		**1 755 488**	**1 606 888**
Operating costs	6	(1 302 929)	(1 230 628)
Depreciation on operating leased assets	6/32	(16 072)	(28 670)
Operating profit before goodwill and acquired intangibles		**436 487**	**347 590**
Impairment of goodwill	34	(15 175)	(24 366)
Amortisation of acquired intangibles	35	(13 313)	(9 530)
Cost arising from integration of acquired subsidiaries		(13 119)	(17 117)
Operating profit		**394 880**	**296 577**
Non-operational costs arising from acquisition of subsidiary		(1 249)	(5 342)
Profit before taxation		**393 631**	**291 235**
Taxation on operating profit before goodwill	8	(78 800)	(62 907)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	5 977	8 164
Profit after taxation		**320 808**	**236 492**
Operating (income)/losses attributable to non-controlling interests		(3 317)	11 035
Earnings attributable to shareholders		**317 491**	**247 527**
Earnings per share (pence)			
– Basic	9	32.5	25.7
– Diluted	9	30.6	24.3

Combined consolidated statement of comprehensive income

For the year to 31 March £'000	Notes	2013	2012
Profit after taxation		320 808	236 492
Other comprehensive income/(loss):			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(17 144)	(34 691)
Gains on realisation of available-for-sale assets recycled through the income statement	8	(1 713)	(12 891)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	4 387	(312)
Foreign currency adjustments on translating foreign operations		(181 135)	(196 351)
Pension fund actuarial (losses)/gains	41	(6 195)	282
Total comprehensive income/(loss)		119 008	(7 471)
Total comprehensive loss attributable to non-controlling interests		(15 815)	(21 798)
Total comprehensive income/(loss) attributable to ordinary shareholders		95 719	(24 979)
Total comprehensive income attributable to perpetual preferred securities		39 104	39 306
Total comprehensive income/(loss)		119 008	(7 471)

Combined consolidated balance sheet

At 31 March £'000	Notes	2013	2012*
Assets			
Cash and balances at central banks	18	1 782 447	2 593 851
Loans and advances to banks	19	3 129 646	2 725 347
Non-sovereign and non-bank cash placements		420 960	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	20	2 358 672	975 992
Sovereign debt securities	21	4 077 217	4 067 093
Bank debt securities	22	1 879 105	3 081 061
Other debt securities	23	457 652	377 832
Derivative financial instruments	24	1 982 571	1 913 650
Securities arising from trading activities	25	931 603	640 146
Investment portfolio	26	960 364	890 702
Loans and advances to customers	27	17 484 524	17 192 208
Own originated loans and advances to customers securitised	28	930 449	1 034 174
Other loans and advances	27	2 117 743	2 829 189
Other securitised assets	28	2 882 592	3 101 422
Interests in associated undertakings	29	27 950	27 506
Deferred taxation assets	30	165 457	150 381
Other assets	31	1 960 438	1 802 121
Property and equipment	32	126 538	171 685
Investment properties	33	451 975	407 295
Goodwill	34	466 906	468 320
Intangible assets	35	178 567	192 099
		44 773 376	45 284 554
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	6 226 142	6 265 846
		50 999 518	51 550 400
Liabilities			
Deposits by banks		2 976 464	2 967 428
Derivative financial instruments	24	1 443 325	1 421 130
Other trading liabilities	38	851 939	612 884
Repurchase agreements and cash collateral on securities lent	20	1 940 158	1 864 137
Customer accounts (deposits)		24 531 838	25 343 771
Debt securities in issue	39	1 901 776	2 243 948
Liabilities arising on securitisation of own originated loans and advances	28	926 335	1 036 674
Liabilities arising on securitisation of other assets	28	2 237 581	2 402 043
Current taxation liabilities		210 475	209 609
Deferred taxation liabilities	30	109 628	102 478
Other liabilities	40	1 887 402	1 575 154
		39 016 921	39 779 256
Liabilities to customers under investment contracts	37	6 224 062	6 263 913
Insurance liabilities, including unit-linked liabilities	37	2 080	1 933
		45 243 063	46 045 102
Subordinated liabilities	42	1 751 806	1 492 776
		46 994 869	47 537 878
Equity			
Ordinary share capital	43	223	221
Perpetual preference share capital	44	153	153
Share premium	45	2 494 618	2 457 019
Treasury shares	46	(89 545)	(72 820)
Other reserves		(93 082)	82 327
Retained income		1 412 239	1 249 515
Shareholders' equity excluding non-controlling interests		3 724 606	3 716 415
Non-controlling interests	47	280 043	296 107
– Perpetual preferred securities issued by subsidiaries		279 041	291 769
– Non-controlling interests in partially held subsidiaries		1 002	4 338
Total equity		4 004 649	4 012 522
Total liabilities and equity		50 999 518	51 550 400

* *As restated for reclassifications detailed in note 57.*

Annual financial statements

1

Combined consolidated cash flow statement

For the year to 31 March £'000	Notes	2013	2012
Profit before taxation adjusted for non-cash items	49	779 740	776 138
Taxation paid		(61 469)	(117 759)
Increase in operating assets	49	(4 108 809)	(2 538 282)
Increase in operating liabilities	49	1 985 688	3 393 045
Net cash (outflow)/inflow from operating activities		(1 404 850)	1 513 142
Cash (outflow)/inflow on acquisition of group subsidiaries	36	(20 834)	55 685
Net acquisition from non-controlling interest		(3 594)	–
Cash inflow/(outflow) on net disposal/(acquisition) of associates		3 323	(3 736)
Cash flow on acquisition of property, equipment and intangible assets		(45 346)	(84 744)
Cash flow on disposal of property, equipment and intangible assets		44 193	72 355
Net cash (outflow)/inflow from investing activities		(22 258)	39 560
Dividends paid to ordinary shareholders	10	(147 660)	(134 436)
Dividends paid to other equity holders		(39 334)	(39 696)
Proceeds on issue of shares, net of related costs		34 685	43 215
Proceeds on issue of perpetual preference shares		24 263	20 638
Proceeds on the net sale of treasury shares, net of related costs		(58 395)	(75 431)
Proceeds on issue of other equity instruments*		–	72
Proceeds from subordinated debt raised		494 829	321 068
Repayment of subordinated debt		(120 494)	(29 751)
Net cash inflow from financing activities		187 894	105 679
Effects of exchange rates on cash and cash equivalents		(142 019)	(102 563)
Net (decrease)/increase in cash and cash equivalents		(1 381 233)	1 555 818
Cash and cash equivalents at the beginning of the year		4 942 806	3 386 988
Cash and cash equivalents at the end of the year		3 561 573	4 942 806
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		1 782 447	2 593 851
On demand loans and advances to banks		1 358 166	1 706 475
Non-sovereign and non-bank cash placements		420 960	642 480
Cash and cash equivalents at the end of the year		3 561 573	4 942 806

* *Includes equity instruments issued by subsidiaries.*

Cash and cash equivalents are defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

Consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2011	208	153	2 242 067	(42 713)
Movement in reserves 1 April 2011 – 31 March 2012				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on realisation of available-for-sale assets recycled through the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Pension fund actuarial gains	–	–	–	–
Total comprehensive loss for the year	–	–	–	–
Share-based payment adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	13	–	219 629	–
Issue of perpetual preference shares	–	–	20 638	–
Share issue expenses	–	–	(607)	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to disposal of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	(24 708)	(56 504)
Transfer from capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	26 397
At 31 March 2012	221	153	2 457 019	(72 820)

Other reserves								
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total equity
11 289	21 866	34 447	3 517	244 759	1 131 980	3 647 573	313 529	3 961 102
–	–	–	–	–	247 527	247 527	(11 035)	236 492
–	–	–	(34 691)	–	–	(34 691)	–	(34 691)
–	(12 891)	–	–	–	–	(12 891)	–	(12 891)
–	(312)	–	–	–	–	(312)	–	(312)
(26)	450	111	(458)	(185 636)	(29)	(185 588)	(10 763)	(196 351)
–	–	–	–	–	282	282	–	282
(26)	(12 753)	111	(35 149)	(185 636)	247 780	14 327	(21 798)	(7 471)
–	–	–	–	–	69 796	69 796	–	69 796
–	–	–	–	–	(134 436)	(134 436)	–	(134 436)
–	–	–	–	–	(39 306)	(39 306)	21 367	(17 939)
–	–	–	–	–	–	–	(21 367)	(21 367)
–	–	–	–	–	–	–	(390)	(390)
–	–	–	–	–	–	219 642	–	219 642
–	–	–	–	–	–	20 638	–	20 638
–	–	–	–	–	–	(607)	–	(607)
–	–	–	–	–	–	–	72	72
–	–	–	–	–	–	–	(483)	(483)
–	–	–	–	–	–	–	5 177	5 177
–	–	–	–	–	–	(81 212)	–	(81 212)
(136)	–	–	–	–	136	–	–	–
–	–	38	–	–	(38)	–	–	–
–	–	–	–	–	(26 397)	–	–	–
11 127	9 113	34 596	(31 632)	59 123	1 249 515	3 716 415	296 107	4 012 522

Consolidated statement of changes in equity (continued)

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 31 March 2012	221	153	2 457 019	(72 820)
Movement in reserves 1 April 2012 – 31 March 2013				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on realisation of available-for-sale assets recycled through the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Pension fund actuarial losses	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payment adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	34 683	–
Issue of perpetual preference shares	–	–	24 263	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to disposal of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	(21 347)	(37 048)
Transfer from capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	20 323
At 31 March 2013	223	153	2 494 618	(89 545)

Other reserves								
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total equity
11 127	9 113	34 596	(31 632)	59 123	1 249 515	3 716 415	296 107	4 012 522
–	–	–	–	–	317 491	317 491	3 317	320 808
–	–	–	(17 144)	–	–	(17 144)	–	(17 144)
–	(1 713)	–	–	–	–	(1 713)	–	(1 713)
–	4 387	–	–	–	–	4 387	–	4 387
–	(1 033)	849	392	(162 865)	654	(162 003)	(19 132)	(181 135)
–	–	–	–	–	(6 195)	(6 195)	–	(6 195)
–	1 641	849	(16 752)	(162 865)	311 950	134 823	(15 815)	119 008
–	–	–	–	–	63 154	63 154	–	63 154
–	–	–	–	–	(147 660)	(147 660)	–	(147 660)
–	–	–	–	–	(39 104)	(39 104)	19 435	(19 669)
–	–	–	–	–	–	–	(19 435)	(19 435)
–	–	–	–	–	–	–	(230)	(230)
–	–	–	–	–	–	34 685	–	34 685
–	–	–	–	–	–	24 263	–	24 263
–	–	–	–	–	(3 575)	(3 575)	(239)	(3 814)
–	–	–	–	–	–	–	220	220
–	–	–	–	–	–	(58 395)	–	(58 395)
(159)	–	–	–	–	159	–	–	–
–	–	1 877	–	–	(1 877)	–	–	–
–	–	–	–	–	(20 323)	–	–	–
10 968	10 754	37 322	(48 384)	(103 742)	1 412 239	3 724 606	280 043	4 004 649

Investec plc and Investec Limited – significant accounting policies

Basis of presentation

The group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2013, IFRS as endorsed by the EU are identical to current IFRS applicable to the group.

The group financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting, liabilities for cash-settled share-based payments and pension fund surpluses and deficits that have been measured at fair value.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 80 to 94 in volume two.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 127 to 136 in volume one.

Restatements and presentation of information

The group reclassified warehoused assets and liabilities into other loans and advances and deposits by banks respectively.

This change arises from simplifying the face of the balance sheet with the relevant information more appropriately disclosed. The impact on the prior year's balance sheet is detailed in note 57.

Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a dual listed company (DLC) structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries and special purpose entities (SPEs) in which the group holds more than one half of the voting rights or which it has the ability to control (either directly or in substance) are consolidated from the effective dates of acquisition (that is from when control exists) up to the effective dates of loss of control, except entities which are classified as non-current assets held-for-sale. Subsidiaries classified as non-current assets held-for-sale are consolidated in one income statement line item as discontinued operations.

Investec sponsors the formation of SPEs for a variety of reasons. SPEs are consolidated when the substance of the relationship between the group and the SPE indicates that the SPE is controlled by the group. Investec performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between Investec and an SPE. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. In the group accounts, interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the combined consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions, namely, Asset Management, Wealth & Investment and Specialist Banking.

A geographical analysis is also presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

For further detail on the group's segmental reporting basis refer to pages 55 to 79 in volume one of the divisional review section of the annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments and in certain limited circumstances cash-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

The liability, in respect of cash-settled share-based payments, is recognised at the current fair value at each balance sheet date based on an estimate of the number of instruments that will eventually vest, with the change in fair value being recognised in the income statement.

Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the income statement until such time as the liability is settled.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is recognised in the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument, and, where this estimate is not readily available, the contractual life.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties.

Investment income includes income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from balance sheet management.

Trading profits includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in fair value. All other transaction costs are recorded in the income statement immediately.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair value through profit or loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; and
- A contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates as at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages. The group also trades in structured credit investments.

Loans and advances that are originated are transferred to SPE, and the SPEs issue debt securities to external investors to fund the purchase of the securitised assets. The group's exposure to the SPEs are the reserves provided as credit enhancement to the holders of the SPEs' debt securities, with the first loss position treated as a long-term interest rate borrowing to the SPEs.

The SPEs are consolidated under SIC-12 Special Purpose Entities when the group does not transfer the majority of risks and rewards related to the underlying asset transferred to the SPEs. Where the group has transferred the right to receive the cash flows from the securitised assets, substantially all risks and rewards, and the group retains no control over the assets, full derecognition of the securitised assets will occur.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value with unrealised gains and losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement when the right of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest rate method.

Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is deemed appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. Refer to the 'Day 1' profit or loss accounting policy.

Subsequent to initial recognition the following financial instruments are measured at fair value:

- Fixed maturity securities classified as trading, held at fair value through profit or loss and available-for-sale
- Equity securities
- Private equity investments
- Derivative positions
- Loans and advances designated as held at fair value through profit or loss
- Loans and advances designated as available-for-sale
- Financial liabilities classified as trading or designated as held at fair value through profit or loss.

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations.

Where market prices are not available, fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar listed companies, relevant third party arm's length transactions and other data specific to the investment.

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using the data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level (within the Specialist Banking business segment) that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risk and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in certain rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a currently enforceable legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments transacted as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives

Credit derivatives are entered into for trading purposes. Credit derivatives of the group are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit and loss, based on the current market price or re-measured price.

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss

- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument, relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lender's return, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are

Investec plc and Investec Limited – significant accounting policies (continued)

directly attributable to the issuance of the guarantee.

Subsequent to initial recognition the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid, or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

- Computer and related equipment — 20% – 33%
- Motor vehicles — 20% – 25%
- Furniture and fittings — 10% – 20%
- Freehold buildings — 2%
- Leasehold improvements*

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.*

No depreciation is provided on freehold land, however, similar to other property-related assets, it is subject to impairment testing when deemed necessary.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains and losses recognised in the income statement under 'investment income'.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Dealing properties

Dealing properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently three to twenty years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets, other than investment property and deferred tax assets for indication of impairment. The recoverable amount, being the higher of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on the amount expected to be payable on taxable profits at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme, all employer contributions are charged to income as incurred, in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Expenses related to provisions are recognised in the income statement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

New standards

IFRS 10 – Consolidated Financial Statements

The standard replaces consolidation principles contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Special Purpose Entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard is retrospectively effective for the group for the year commencing 1 April 2013. The impact of the adoption of IFRS 10 on the group is currently under evaluation.

IFRS 11 – Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The key change is to require all joint ventures to be equity-accounted, thus removing the option to proportionately consolidate. The standard is retrospectively effective for the group for the year commencing 1 April 2013. The group does not expect any changes to the accounting policies of the group arising from this standard.

IFRS 12 – Disclosure of Interests in Other Entities

The standard requires disclosure of the significant judgements and assumptions made in determining the nature of interests in subsidiaries, joint ventures and interest in associated undertakings and the interest that non-controlling interests have in the group's activities and cash flows. The standard further provides disclosure requirements relating to consolidated and unconsolidated structured entities that the group is associated with. The standard is retrospectively effective for the group for the year commencing 1 April 2013. The impact

Investec plc and Investec Limited – significant accounting policies (continued)

of the standard is further disclosure, with no changes to measurement or recognition requirements.

IFRS 13 – Fair Value Measurement

This standard defines fair value (being a market-based measurement), and sets out in a single IFRS framework for measuring fair value. This standard requires extensive disclosure about fair value measurements, inclusive of non-financial instruments that are subject to fair value measurement. The standard is prospectively effective for the group for the year commencing 1 April 2013. The impact of the adoption is currently under evaluation.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments will replace certain key elements of IAS 39 when finally issued. The two key elements that would impact the group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities – the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk is taken directly to other comprehensive income without recycling. These are current deliberations which may result in limited modifications to IFRS 9 relating to classification and measurement
- Impairment methodology – The key change is related to a shift from an incurred loss to an expected loss impairment methodology. Revisions to the methodology are subject to deliberation, with expected amendments to IFRS 9 in 2013.

The standard is effective for the group for the year commencing 1 April 2015, and does not require the restatement of comparative-period financial statements upon initial application. The EU have highlighted that they will not endorse IFRS 9 until a complete standard is issued.

IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)

These amendments require additional disclosures which the group will be in a position to provide. The amendments are effective for the year commencing 1 April 2013.

IAS 19 – Employee benefits

Proposed amendments to IAS 19 have been published for public comment in March 2013. The proposed amendments aim to simplify complex requirements that are encountered in applying the standard, specifically in relation to accounting for contributions from employees and third parties to defined benefit plans.

The proposed amendments are expected to be finalised by July 2013. The group is evaluating the impact of the reviewed standard, which is not expected to be material.

There are other proposed amendments which do not have a material impact to the financial statements and thus have not been highlighted or discussed above.

Key management assumptions

In preparation of the financial statements the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility

Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on pages 40 to 43 in volume two.

- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time

Refer to note 33 for the carrying value of investment property with further analysis contained in the risk management section on pages 40 to 43 in volume two.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature

Refer to pages 29 to 39 in volume two in the risk management section for further analysis on impairments.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1. Combined consolidated segmental analysis				
2013				
Segmental business analysis – income statement				
Net interest income	4 501	9 049	688 976	702 526
Fee and commission income	485 783	250 315	381 453	1 117 551
Fee and commission expense	(92 667)	(12 755)	(39 454)	(144 876)
Investment income	36	555	182 298	182 889
Trading income arising from				
– customer flow	–	687	70 172	70 859
– balance sheet management and other trading activities	(45)	360	35 083	35 398
Other operating income	9 583	777	31 793	42 153
Total operating income before impairment losses on loans and advances	407 191	248 988	1 350 321	2 006 500
Impairment losses on loans and advances	–	–	(251 012)	(251 012)
Operating income	407 191	248 988	1 099 309	1 755 488
Operating costs	(266 784)	(198 321)	(837 824)	(1 302 929)
Depreciation on operating leased assets	–	–	(16 072)	(16 072)
Operating profit before goodwill and acquired intangibles	140 407	50 667	245 413	436 487
Operating income attributable to non-controlling interests	(243)	–	(3 074)	(3 317)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	140 164	50 667	242 339	433 170
Selected returns and key statistics				
ROE (pre-tax)*	95.1%	15.8%	8.0%	11.9%
Return on tangible equity (pre-tax)*	336.1%	104.9%	8.4%	14.6%
Cost to income ratio	65.5%	79.7%	62.8%	65.5%
Staff compensation to operating income	46.1%	55.6%	40.8%	43.7%
Operating profit per employee (£'000)	114.9	38.2	44.7	54.4
Total assets (£'million)	627	2 156	48 217	51 000

* *Refer to calculation on page 50 in volume one.*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1. Combined consolidated segmental analysis (continued)				
2012				
Segmental business analysis – income statement				
Net interest income	5 163	10 083	683 801	699 047
Fee and commission income	454 762	197 535	361 082	1 013 379
Fee and commission expense	(86 906)	(11 354)	(30 885)	(129 145)
Investment income	25	(392)	174 694	174 327
Trading income arising from				
– customer flow	–	108	76 958	77 066
– balance sheet management and other trading activities	380	97	31 727	32 204
Other operating income	2 178	396	62 554	65 128
Total operating income before impairment losses on loans and advances	375 602	196 473	1 359 931	1 932 006
Impairment losses on loans and advances	–	–	(325 118)	(325 118)
Operating income	375 602	196 473	1 034 813	1 606 888
Operating costs	(241 529)	(157 799)	(831 300)	(1 230 628)
Depreciation on operating leased assets	–	–	(28 670)	(28 670)
Operating profit before goodwill and acquired intangibles	134 073	38 674	174 843	347 590
Operating (income)/losses attributable to non-controlling interests	(380)	47	11 368	11 035
Operating profit before goodwill, acquired intangibles and after non-controlling interests	133 693	38 721	186 211	358 625
Selected returns and key statistics				
ROE (pre-tax)*	84.0%	13.1%	6.2%	9.7%
Return on tangible equity (pre-tax)*	288.6%	46.9%	6.5%	11.8%
Cost to income ratio	64.3%	80.3%	62.4%	64.7%
Staff compensation to operating income	45.9%	57.2%	40.2%	43.0%
Operating profit per employee (£'000)	119.2	33.7	35.5	47.8
Total assets (£'million)	539	796	50 215	51 550

* *Refer to calculation on page 50 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2013				
Segmental geographic analysis – income statement				
Net interest income	290 645	342 793	69 088	702 526
Fee and commission income	701 620	356 500	59 431	1 117 551
Fee and commission expense	(127 170)	(13 180)	(4 526)	(144 876)
Investment income	98 119	84 232	538	182 889
Trading income arising from				
– customer flow	51 158	12 755	6 946	70 859
– balance sheet management and other trading activities	19 939	16 023	(564)	35 398
Other operating income	34 782	5 562	1 809	42 153
Total operating income before impairment losses on loans and advances	1 069 093	804 685	132 722	2 006 500
Impairment losses on loans and advances	(171 187)	(61 976)	(17 849)	(251 012)
Operating income	897 906	742 709	114 873	1 755 488
Operating costs	(737 030)	(454 427)	(111 472)	(1 302 929)
Depreciation on operating leased assets	(16 072)	–	–	(16 072)
Operating profit before goodwill and acquired intangibles	144 804	288 282	3 401	436 487
Operating income attributable to non-controlling interests	(397)	(2 920)	–	(3 317)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	144 407	285 362	3 401	433 170
Impairment of goodwill	(13 402)	(1 773)	–	(15 175)
Amortisation of acquired intangibles	(13 313)	–	–	(13 313)
Costs arising from integration of acquired subsidiaries	(13 119)	–	–	(13 119)
Non-operational costs arising from acquisition of subsidiary	(1 249)	–	–	(1 249)
Earnings attributable to shareholders before taxation	103 324	283 589	3 401	390 314
Taxation on operating profit before goodwill	(31 537)	(48 693)	1 430	(78 800)
Taxation on acquired intangibles and acquisition/disposal/ integration of subsidiaries	5 977	–	–	5 977
Earnings attributable to shareholders	77 764	234 896	4 831	317 491
Selected returns and key statistics				
ROE (post-tax)*	6.6%	14.9%	1.2%	9.5%
Return on tangible equity (post-tax)*	10.4%	15.0%	1.4%	11.7%
Cost to income ratio	70.0%	56.5%	84.0%	65.5%
Staff compensation to operating income	47.2%	36.9%	56.5%	43.7%
Operating profit per employee (£'000)	42.6	69.3	7.5	54.4
Effective operational tax rate	21.8%	16.9%	(42.0%)	18.1%
Total assets (£'million)	20 179	27 575	3 246	51 000

* *Refer to calculation on page 49 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2012				
Segmental geographic analysis – income statement				
Net interest income	287 417	345 288	66 342	699 047
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Investment income	115 822	66 979	(8 474)	174 327
Trading income arising from				
– customer flow	43 179	22 775	11 112	77 066
– balance sheet management and other trading activities	16 430	16 900	(1 126)	32 204
Other operating income	62 127	4 180	(1 179)	65 128
Total operating income before impairment losses on loans and advances	1 015 292	814 958	101 756	1 932 006
Impairment losses on loans and advances	(187 920)	(69 326)	(67 872)	(325 118)
Operating income	827 372	745 632	33 884	1 606 888
Operating costs	(671 776)	(459 087)	(99 765)	(1 230 628)
Depreciation on operating leased assets	(28 544)	(126)	–	(28 670)
Operating profit/(loss) before goodwill and acquired intangibles	127 052	286 419	(65 881)	347 590
Operating losses attributable to non-controlling interests	8 018	3 017	–	11 035
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	135 070	289 436	(65 881)	358 625
Impairment of goodwill	(21 510)	(2 856)	–	(24 366)
Amortisation of acquired intangibles	(9 530)	–	–	(9 530)
Costs arising from integration of acquired subsidiaries	(17 117)	–	–	(17 117)
Non-operational costs arising from acquisition of subsidiary	(5 342)	–	–	(5 342)
Earnings attributable to shareholders before taxation	81 571	286 580	(65 881)	302 270
Taxation on operating profit before goodwill	(33 911)	(48 536)	19 540	(62 907)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8 164	–	–	8 164
Earnings attributable to shareholders	55 824	238 044	(46 341)	247 527
Selected returns and key statistics				
ROE (post-tax)*	6.1%	14.9%	(11.1%)	7.8%
Return on tangible equity (post-tax)*	9.8%	15.1%	(12.7%)	9.6%
Cost to income ratio	68.1%	56.3%	98.0%	64.7%
Staff compensation to operating income	44.7%	37.3%	71.2%	43.0%
Operating profit per employee (£'000)	45.0	70.9	(154.7)	47.8
Effective operational tax rate	26.7%	16.9%	29.7%	18.1%
Total assets (£'million)	19 856	28 310	3 384	51 550

* *Refer to calculation on page 49 in volume one.*

At 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2013				
Segmental geographic analysis – balance sheet assets and liabilities				
Assets				
Cash and balances at central banks	1 228 390	406 777	147 280	1 782 447
Loans and advances to banks	1 226 201	1 818 269	85 176	3 129 646
Non-sovereign and non-bank cash placements	–	420 960	–	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	1 223 251	1 135 421	–	2 358 672
Sovereign debt securities	1 365 464	2 416 839	294 914	4 077 217
Bank debt securities	275 173	1 423 904	180 028	1 879 105
Other debt securities	176 440	258 706	22 506	457 652
Derivative financial instruments	1 037 004	870 899	74 668	1 982 571
Securities arising from trading activities	665 494	257 840	8 269	931 603
Investment portfolio	377 094	571 740	11 530	960 364
Loans and advances to customers	6 045 063	9 725 609	1 713 852	17 484 524
Own originated loans and advances to customers securitised	–	439 255	491 194	930 449
Other loans and advances	1 781 632	336 111	–	2 117 743
Other securitised assets	2 769 126	113 466	–	2 882 592
Interests in associated undertakings	20 828	3 243	3 879	27 950
Deferred taxation assets	78 490	38 635	48 332	165 457
Other assets	1 256 193	607 728	96 517	1 960 438
Property and equipment	70 619	46 108	9 811	126 538
Investment properties	11 500	440 475	–	451 975
Goodwill	406 389	10 260	50 257	466 906
Intangible assets	164 330	6 436	7 801	178 567
	20 178 681	21 348 681	3 246 014	44 773 376
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 226 142	–	6 226 142
	20 178 681	27 574 823	3 246 014	50 999 518
Liabilities				
Deposits by banks	1 696 682	1 279 782	–	2 976 464
Derivative financial instruments	723 236	661 888	58 201	1 443 325
Other trading liabilities	372 762	479 177	–	851 939
Repurchase agreements and cash collateral on securities lent	942 396	997 762	–	1 940 158
Customer accounts (deposits)	9 560 920	13 278 098	1 692 820	24 531 838
Debt securities in issue	990 744	440 343	470 689	1 901 776
Liabilities arising on securitisation of own originated loans and advances	77	448 355	477 903	926 335
Liabilities arising on securitisation of other assets	2 195 345	42 236	–	2 237 581
Current taxation liabilities	87 470	123 005	–	210 475
Deferred taxation liabilities	77 851	31 777	–	109 628
Other liabilities	1 311 425	520 977	55 000	1 887 402
	17 958 908	18 303 400	2 754 613	39 016 921
Liabilities to customers under investment contracts	–	6 224 062	–	6 224 062
Insurance liabilities, including unit-linked liabilities	–	2 080	–	2 080
	17 958 908	24 529 542	2 754 613	45 243 063
Subordinated liabilities	664 624	1 004 562	82 620	1 751 806
	18 623 532	25 534 104	2 837 233	46 994 869

1. Combined consolidated segmental analysis (continued)

2012

Segmental geographic analysis – balance sheet assets and liabilities

At 31 March £'000	UK and Other	Southern Africa	Australia	Total group
Assets				
Cash and balances at central banks	1 655 824	758 002	180 025	2 593 851
Loans and advances to banks	985 727	1 671 153	68 467	2 725 347
Non-sovereign and non-bank cash placements	–	642 480	–	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	522 180	453 812	–	975 992
Sovereign debt securities	1 415 447	2 419 822	231 824	4 067 093
Bank debt securities	294 383	2 256 509	530 169	3 081 061
Other debt securities	100 219	195 753	81 860	377 832
Derivative financial instruments	916 994	862 887	133 769	1 913 650
Securities arising from trading activities	365 686	267 576	6 884	640 146
Investment portfolio	308 027	570 590	12 085	890 702
Loans and advances to customers	5 788 127	9 990 781	1 413 300	17 192 208
Own originated loans and advances to customers securitised	–	499 166	535 008	1 034 174
Other loans and advances	2 496 508	332 681	–	2 829 189
Other securitised assets	2 961 970	139 452	–	3 101 422
Interests in associated undertakings	19 231	3 076	5 199	27 506
Deferred taxation assets	75 175	30 691	44 515	150 381
Other assets	1 234 108	488 561	79 452	1 802 121
Property and equipment	117 718	44 188	9 779	171 685
Investment properties	11 500	395 795	–	407 295
Goodwill	409 837	13 696	44 787	468 320
Intangible assets	176 988	7 902	7 209	192 099
	19 855 649	22 044 573	3 384 332	45 284 554
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 265 846	–	6 265 846
	19 855 649	28 310 419	3 384 332	51 550 400
Liabilities				
Deposits by banks	1 832 180	1 135 248	–	2 967 428
Derivative financial instruments	635 996	698 243	86 891	1 421 130
Other trading liabilities	271 627	341 257	–	612 884
Repurchase agreements and cash collateral on securities lent	1 020 670	843 467	–	1 864 137
Customer accounts (deposits)	9 459 554	14 347 614	1 536 603	25 343 771
Debt securities in issue	1 109 268	357 494	777 186	2 243 948
Liabilities arising on securitisation of own originated loans and advances	–	509 728	526 946	1 036 674
Liabilities arising on securitisation of other assets	2 361 986	40 057	–	2 402 043
Current taxation liabilities	77 188	132 421	–	209 609
Deferred taxation liabilities	76 489	25 989	–	102 478
Other liabilities	1 108 343	430 194	36 617	1 575 154
	17 953 301	18 861 712	2 964 243	39 779 256
Liabilities to customers under investment contracts	–	6 263 913	–	6 263 913
Insurance liabilities, including unit-linked liabilities	–	1 933	–	1 933
	17 953 301	25 127 558	2 964 243	46 045 102
Subordinated liabilities	661 920	784 501	46 355	1 492 776
	18 615 221	25 912 059	3 010 598	47 537 878

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests				
2013				
Asset Management	59 341	80 823	–	140 164
Wealth & Investment	33 910	16 757	–	50 667
Specialist Banking	51 156	187 782	3 401	242 339
Total group	144 407	285 362	3 401	433 170
Non-controlling interest – equity				3 317
Operating profit before goodwill and acquired intangibles				436 487
2012				
Asset Management	58 922	74 771	–	133 693
Wealth & Investment	23 268	15 453	–	38 721
Specialist Banking	52 880	199 212	(65 881)	186 211
Total group	135 070	289 436	(65 881)	358 625
Non-controlling interest – equity				(11 035)
Operating profit before goodwill and acquired intangibles				347 590

For the year to 31 March £'000	Asset Management UK and Other	Southern Africa	Total
1. Combined consolidated segmental analysis (continued)			
Segmental business and geographic analysis – income statement			
2013			
Net interest income	492	4 009	4 501
Fee and commission income	309 933	175 850	485 783
Fee and commission expense	(92 667)	–	(92 667)
Investment income	–	36	36
Trading income arising from			
– customer flow	–	–	–
– balance sheet management and other trading activities	(199)	154	(45)
Other operating income	4 476	5 107	9 583
Total operating income before impairment losses on loans and advances	222 035	185 156	407 191
Impairment losses on loans and advances	–	–	–
Operating income	222 035	185 156	407 191
Operating costs	(162 694)	(104 090)	(266 784)
Depreciation on operating leased assets	–	–	–
Operating profit before goodwill and acquired intangibles	59 341	81 066	140 407
Operating income attributable to non-controlling interests	–	(243)	(243)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	59 341	80 823	140 164
Selected returns and key statistics			
Cost to income ratio	73.3%	56.2%	65.5%
Staff compensation to operating income	53.7%	37.0%	46.1%
2012			
Net interest income	652	4 511	5 163
Fee and commission income	288 580	166 182	454 762
Fee and commission expense	(86 906)	–	(86 906)
Investment income	–	25	25
Trading income arising from			
– customer flow	–	–	–
– balance sheet management and other trading activities	61	319	380
Other operating income	(309)	2 487	2 178
Total operating income before impairment losses on loans and advances	202 078	173 524	375 602
Impairment losses on loans and advances	–	–	–
Operating income	202 078	173 524	375 602
Operating costs	(143 156)	(98 373)	(241 529)
Depreciation on operating leased assets	–	–	–
Operating profit before goodwill and acquired intangibles	58 922	75 151	134 073
Operating losses/(income)attributable to non-controlling interests	–	(380)	(380)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	58 922	74 771	133 693
Selected returns and key statistics			
Cost to income ratio	70.8%	56.7%	64.3%
Staff compensation to operating income	53.6%	36.9%	45.9%

Wealth & Investment			Specialist Banking				
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Australia	Total	Total group
10 293	(1 244)	9 049	279 860	340 028	69 088	688 976	702 526
195 275	55 040	250 315	196 412	125 610	59 431	381 453	1 117 551
(11 772)	(983)	(12 755)	(22 731)	(12 197)	(4 526)	(39 454)	(144 876)
555	–	555	97 564	84 196	538	182 298	182 889
361	326	687	50 797	12 429	6 946	70 172	70 859
4	356	360	20 134	15 513	(564)	35 083	35 398
775	2	777	29 531	453	1 809	31 793	42 153
195 491	53 497	248 988	651 567	566 032	132 722	1 350 321	2 006 500
–	–	–	(171 187)	(61 976)	(17 849)	(251 012)	(251 012)
195 491	53 497	248 988	480 380	504 056	114 873	1 099 309	1 755 488
(161 581)	(36 740)	(198 321)	(412 755)	(313 597)	(111 472)	(837 824)	(1 302 929)
–	–	–	(16 072)	–	–	(16 072)	(16 072)
33 910	16 757	50 667	51 553	190 459	3 401	245 413	436 487
–	–	–	(397)	(2 677)	–	(3 074)	(3 317)
33 910	16 757	50 667	51 156	187 782	3 401	242 339	433 170
82.7%	68.7%	79.7%	65.0%	55.4%	84.0%	62.8%	65.5%
58.2%	45.8%	55.6%	41.8%	36.1%	56.5%	40.8%	43.7%
8 648	1 435	10 083	278 117	339 342	66 342	683 801	699 047
142 360	55 175	197 535	174 185	148 441	38 456	361 082	1 013 379
(8 182)	(3 172)	(11 354)	(19 720)	(7 790)	(3 375)	(30 885)	(129 145)
(392)	–	(392)	116 214	66 954	(8 474)	174 694	174 327
(386)	494	108	43 565	22 281	11 112	76 958	77 066
(7)	104	97	16 376	16 477	(1 126)	31 727	32 204
406	(10)	396	62 030	1 703	(1 179)	62 554	65 128
142 447	54 026	196 473	670 767	587 408	101 756	1 359 931	1 932 006
–	–	–	(187 920)	(69 326)	(67 872)	(325 118)	(325 118)
142 447	54 026	196 473	482 847	518 082	33 884	1 034 813	1 606 888
(119 226)	(38 573)	(157 799)	(409 394)	(322 141)	(99 765)	(831 300)	(1 230 628)
–	–	–	(28 544)	(126)	–	(28 670)	(28 670)
23 221	15 453	38 674	44 909	195 815	(65 881)	174 843	347 590
47	–	47	7 971	3 397	–	11 368	11 035
23 268	15 453	38 721	52 880	199 212	(65 881)	186 211	358 625
83.7%	71.4%	80.3%	63.7%	54.9%	98.0%	62.4%	64.7%
60.6%	48.3%	57.2%	38.7%	36.5%	71.2%	40.2%	43.0%

2. Net interest income

For the year to 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest received	Southern Africa Balance sheet value	Southern Africa Interest received	Australia Balance sheet value	Australia Interest received	Total group Balance sheet value	Total group Interest received
Cash, near cash and bank debt and sovereign debt securities	1	5 318 479	47 639	7 622 170	315 841	707 398	16 076	13 648 047	379 556
Core loans and advances	2	6 045 063	357 343	10 164 864	853 372	2 205 046	180 301	18 414 973	1 391 016
Private client		3 024 629	162 618	6 900 949	557 108	1 402 295	112 566	11 327 873	832 292
Corporate, institutional and other clients		3 020 434	194 725	3 263 915	296 264	802 751	67 735	7 087 100	558 724
Other debt securities and other loans and advances		1 958 072	144 138	594 817	18 425	22 506	18 205	2 575 395	180 768
Other interest earning assets	3	2 769 126	160 682	113 466	19 743	–	–	2 882 592	180 425
Total interest earning assets		16 090 740	709 802	18 495 317	1 207 381	2 934 950	214 582	37 521 007	2 131 765

For the year to 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt-related securities	4	3 629 822	70 621	2 717 887	70 864	470 689	32 436	6 818 398	173 921
Customer accounts		9 560 920	222 703	13 278 098	669 085	1 692 820	79 411	24 531 838	971 199
Other interest bearing liabilities	5	2 195 422	63 119	490 591	54 652	477 903	30 486	3 163 916	148 257
Subordinated liabilities		664 624	62 714	1 004 562	69 987	82 620	3 161	1 751 806	135 862
Total interest bearing liabilities		16 050 788	419 157	17 491 138	864 588	2 724 032	145 494	36 265 958	1 429 239
Net interest income			290 645		342 793		69 088		702 526

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks, debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

2. Net interest income (continued)

For the year to 31 March 2012 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest received	Southern Africa Balance sheet value	Southern Africa Interest received	Australia Balance sheet value	Australia Interest received	Total group Balance sheet value	Total group Interest received
Cash, near cash and bank debt and sovereign debt securities	1	4 873 561	50 414	8 201 778	381 875	1 010 485	59 939	14 085 824	492 228
Core loans and advances	2	5 788 127	359 715	10 489 947	919 639	1 948 308	186 654	18 226 382	1 466 008
Private client		3 431 420	200 531	7 836 733	669 917	1 593 600	158 697	12 861 753	1 029 145
Corporate, institutional and other clients		2 356 707	159 184	2 653 214	249 722	354 708	27 957	5 364 629	436 863
Other debt securities and other loans and advances		1 165 015	80 347	528 434	27 469	81 860	4 311	1 775 309	112 127
Other interest earning assets	3	4 393 682	206 197	139 452	23 365	–	–	4 533 134	229 562
Total interest earning assets		16 220 385	696 673	19 359 611	1 352 348	3 040 653	250 904	38 620 649	2 299 925

For the year to 31 March 2012 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt-related securities	4	3 962 118	90 387	2 336 209	59 332	777 186	62 939	7 075 513	212 658
Customer accounts		9 459 554	204 365	14 347 614	812 466	1 536 603	83 708	25 343 771	1 100 539
Other interest bearing liabilities	5	2 361 985	53 614	549 786	63 666	526 946	33 569	3 438 717	150 849
Subordinated liabilities		661 920	60 890	784 501	71 596	46 355	4 346	1 492 776	136 832
Total interest bearing liabilities		16 445 577	409 256	18 018 110	1 007 060	2 887 090	184 562	37 350 777	1 600 878
Net interest income			287 417		345 288		66 342		699 047

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks, debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
3. Net fee and commission income				
2013				
Fund management fees/fees for assets under management	458 321	201 181	3 972	663 474
Private client transactional fees	83 926	62 610	9 579	156 115
Corporate and institutional transactional and advisory services	159 373	92 709	45 880	297 962
Fee and commission income	701 620	356 500	59 431	1 117 551
Fee and commission expense	(127 170)	(13 180)	(4 526)	(144 876)
Net fee and commission income	574 450	343 320	54 905	972 675
Annuity fees (net of fees payable)	392 722	254 456	26 137	673 315
Deal fees	181 728	88 864	28 768	299 360
2012				
Fund management fees/fees for assets under management	404 327	188 953	5 674	598 954
Private client transactional fees	62 486	65 295	9 251	137 032
Corporate and institutional transactional and advisory services	138 312	115 550	23 531	277 393
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Net fee and commission income	490 317	358 836	35 081	884 234
Annuity fees (net of fees payable)	339 849	255 826	14 115	609 790
Deal fees	150 468	103 010	20 966	274 444

Trust and fiduciary fees amounted to £13.1 million (2012: £13.8 million).

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
4. Investment income				
2013				
Realised	58 572	110 824	1 752	171 148
Unrealised	35 103	(20 334)	(1 654)	13 115
Dividend income	2 999	11 572	240	14 811
Funding and other net related (costs)/income	1 445	(17 830)	200	(16 185)
Investment income	98 119	84 232	538	182 889
2012				
Realised	102 280	47 548	(8 929)	140 899
Unrealised	11 652	1 837	(66)	13 423
Dividend income	1 890	34 353	521	36 764
Funding and other net related (costs)/income	–	(16 759)	–	(16 759)
Investment income/(loss)	115 822	66 979	(8 474)	174 327

For the year to 31 March £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
4. Investment income (continued)					
2013					
UK and Other					
Realised	917	51 302	–	6 353	58 572
Unrealised	31 116	5 617	–	(1 630)	35 103
Dividend income	2 999	–	–	–	2 999
Funding and other net related (costs)/income	–	–	–	1 445	1 445
	35 032	56 919	–	6 168	98 119
Southern Africa					
Realised	51 938	–	61 548	(2 662)	110 824
Unrealised	(15 476)	4 819	(9 599)	(78)	(20 334)
Dividend income	11 572	–	–	–	11 572
Funding and other net related (costs)/income	(12 306)	–	(7 131)	1 607	(17 830)
	35 728	4 819	44 818	(1 133)	84 232
Australia					
Realised	64	1 617	–	71	1 752
Unrealised	(2 716)	–	–	1 062	(1 654)
Dividend income	240	–	–	–	240
Funding and other net related (costs)/income	–	–	–	200	200
	(2 412)	1 617	–	1 333	538
Total investment income	68 348	63 355	44 818	6 368	182 889
2012					
UK and Other					
Realised	26 230	62 960	–	13 090	102 280
Unrealised	14 929	(3 226)	–	(51)	11 652
Dividend income	1 890	–	–	–	1 890
	43 049	59 734	–	13 039	115 822
Southern Africa					
Realised	49 878	902	(3 232)	–	47 548
Unrealised	(19 565)	4 576	22 611	(5 785)	1 837
Dividend income	34 357	(79)	75	–	34 353
Funding and other net related (costs)/income	(16 751)	(8)	–	–	(16 759)
	47 919	5 391	19 454	(5 785)	66 979
Australia					
Realised	1 539	(784)	–	(9 684)	(8 929)
Unrealised	(66)	–	–	–	(66)
Dividend income	71	450	–	–	521
	1 544	(334)	–	(9 684)	(8 474)
Total investment income	92 512	64 791	19 454	(2 430)	174 327

* *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March £'000	2013	2012
5. Other operating income		
Rental income from properties	1 358	259
(Losses)/gains on realisation of properties	(529)	672
Unrealised gains on other investments	9 558	2 304
Income from operating leases	26 728	59 344
Operating income from associates	3 476	1 626
Assurance income	1 562	923
	42 153	65 128

For the year to 31 March £'000	2013	2012
6. Operating costs		
Staff costs	877 237	831 076
– Salaries and wages (including directors' remuneration)	711 185	658 301
– Training and other costs	17 617	24 223
– Share-based payment expense (note 7)	63 154	69 763
– Social security costs	52 745	47 243
– Pensions and provident fund contributions	32 536	31 546
Premises expenses (excluding depreciation)	73 643	73 243
Equipment expenses (excluding depreciation)	65 092	52 833
Business expenses*	201 017	190 512
Marketing expenses	55 641	54 210
Depreciation, amortisation and impairment on property, equipment and intangibles	30 299	28 754
	1 302 929	1 230 628
Depreciation on operating leased assets	16 072	28 670
	1 319 001	1 259 298
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	1 163	801
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	7 101	5 313
Audit related assurance services	1 250	1 740
Tax compliance services	250	269
Tax advisory services	361	431
Services related to corporate finance transactions	–	158
Other assurance services	110	683
	10 235	9 395
KPMG fees		
Fees payable to the company's auditors for the audit of the company's accounts	41	38
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	2 305	2 073
Audit related assurance services	268	145
Tax compliance services	766	325
Tax advisory services	930	395
Services related to corporate finance transactions	121	201
Other assurance services	414	534
	4 845	3 711
Total	15 080	13 106

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 127 to 132 in volume one.

7. Share-based payments

The group operates share option and long-term share incentive plans for employees the majority of which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans is provided on pages 122 to 123 in volume one of the remuneration report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
Share-based payment expense charged to the income statement (included in operating costs):				
2013				
Equity-settled	6 778	7 575	48 801	63 154
Total income statement charge	6 778	7 575	48 801	63 154
2012				
Equity-settled	8 957	6 820	54 019	69 796
Cash-settled	–	–	(33)	(33)
Total income statement charge	8 957	6 820	53 986	69 763

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £0.4 million (2012: £0.8 million).

For the year to 31 March £'000	2013	2012
Weighted average fair value of options granted in the year		
UK schemes	26 921	26 569
South African schemes	21 820	28 950

	UK schemes				South African schemes			
	2013		2012		2013		2012	
Details of options outstanding during the year	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	46 076 830	0.06	45 033 517	0.09	42 423 893	–	42 984 422	0.74
Granted during the year	12 112 551	0.03	8 776 990	0.16	8 609 725	–	9 020 438	–
Exercised during the year*	(5 333 003)	0.01	(5 733 448)	0.19	(5 168 582)	–	(7 223 129)	4.38
Expired during the year	(2 342 024)	0.42	(2 000 229)	0.58	(1 564 490)	–	(2 357 838)	–
Outstanding at the end of the year	50 514 354	0.05	46 076 830	0.06	44 300 546	–	42 423 893	–
Exercisable at the end of the year	544 221	–	704 523	0.04	445 767	–	1 011 438	–

* *The weighted average share price during the year was £3.99 (2012: £4.15).*

7. Share-based payments (continued)

The exercise price range and weighted average remaining contractual life for the options are as follows:

	UK schemes		South African schemes	
	2013	2012	2013	2012
Options with strike prices				
Exercise price range	£2.05 – £5.00	£1.50 – £6.52	n/a	n/a
Weighted average remaining contractual life	3.06 years	3.47 years	n/a	n/a
Long-term incentive option with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	2.73 years	3.00 years	2.67 years	2.99 years
Weighted average fair value of options and long-term incentive grants at measurement date	£2.22	£3.03	R34.31	R37.25
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£3.29 – £4.08	£3.34 – £5.00	R43.85 – R56.86	R44.00 – R56.29
– Exercise price	£nil, £3.29 – £4.08	£nil, £3.34 – £5.00	Rnil	Rnil
– Expected volatility	30%	30%	30%	30%
– Option life	4.5 – 5.25 years	5 – 5.25 years	2.5 – 5 years	5 years
– Expected dividend yields	5.94% – 7.67%	5.19% – 7.84%	5.42% – 6.70%	3.87% – 5.33%
– Risk-free rate	0.84% – 1.34%	1.48% – 2.15%	5.46% – 6.29%	6.44% – 7.58%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

For the year to 31 March £'000	2013	2012
8. Taxation		
Current taxation		
UK		
Current tax on income for the year	31 315	41 504
Adjustments in respect of prior years	(7 427)	3 436
Corporation tax before double taxation relief	23 888	44 940
– Double taxation relief	(530)	(614)
	23 358	44 326
Southern Africa		
– in respect of current year	54 829	83 495
– in respect of prior years	(3 075)	–
	51 754	83 495
Europe	370	4 503
Australia	–	432
Other	151	287
	52 275	88 717
Secondary taxation on companies*	118	228
Total current taxation	75 751	133 271
Deferred taxation		
UK	1 642	(23 352)
Southern Africa	(3 179)	(35 187)
Europe	9	7
Australia	(1 431)	(19 996)
Other	31	–
Total deferred taxation	(2 928)	(78 528)
Total taxation charge for the year	72 823	54 743
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	78 800	62 907
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(5 977)	(8 164)
	72 823	54 743
Deferred taxation comprises:		
Origination and reversal of temporary differences	(7 201)	(80 629)
Changes in tax rates	1 659	2 838
Adjustment in respect of prior years	2 614	(737)
	(2 928)	(78 528)

* *Secondary taxation on companies is an additional corporate tax on South African entities on declaration of dividends. Secondary taxation on companies has been replaced by dividends tax which came into operation on 1 April 2012.*

For the year to 31 March £'000	2013	2012
8. Taxation (continued)		
Items which affect the tax rate going forward are:		
Estimated tax losses arising from trading activities available for relief against future taxable income		
UK	Nil	Nil
South Africa	Nil	Nil
Europe	Nil	Nil
Australia	Nil	Nil
The rates of corporation tax for the relevant years are:	%	%
UK	24	26
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	393 631	291 235
Taxation on profit before taxation	72 823	54 743
Effective tax rate	18.50%	18.80%
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 24% (2012: 26%)	94 471	75 721
Taxation adjustments relating to foreign earnings	(36 789)	(45 639)
Taxation relating to prior years	(4 813)	2 699
Share options accounting expense	5 337	20 530
Share options exercised during the year	(6 059)	(5 033)
Unexpired share options future tax deduction	(390)	(12 027)
Non-taxable income	(10 794)	(12 907)
Net other permanent differences	30 319	35 091
Unrealised capital losses	1 195	(6 530)
Utilisation of brought forward capital losses	(111)	–
Utilisation of brought forward trading losses	(1 202)	–
Change in tax rate	1 659	2 838
Total taxation charge as per income statement	72 823	54 743
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(17 144)	(34 691)
Pre-taxation	(17 854)	(34 691)
Taxation effect	710	–
Gains on realisation of available-for-sale assets recycled through the income statement	(1 713)	(12 891)
Pre-taxation	(2 409)	(12 891)
Taxation effect	696	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	4 387	(312)
Pre-taxation	6 218	(312)
Taxation effect	(1 831)	–
Pension fund actuarial (losses)/gains	(6 195)	282
Pre-taxation	(8 157)	297
Taxation effect	1 962	(15)

For the year to 31 March	2013	2012

9. Earnings per share

	£'000	£'000
Earnings		
Earnings attributable to shareholders	317 491	247 527
Preference dividends paid	(39 104)	(39 306)
Earnings and diluted earnings attributable to ordinary shareholders	278 387	208 221
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	882 683 311	831 688 923
Weighted average number of treasury shares	(26 726 003)	(22 133 785)
Weighted average number of shares in issue during the year	855 957 308	809 555 138
Weighted average number of shares resulting from future dilutive potential shares	53 589 518	46 272 969
Adjusted weighted number of shares potentially in issue	909 546 826	855 828 107
Earnings per share – pence	32.5	25.7
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 year.		
Diluted earnings per share – pence	30.6	24.3
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 year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.		
Adjusted earnings per share – pence	37.0	31.8
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.		

	£'000	£'000
Earnings attributable to shareholders	317 491	247 527
Impairment of goodwill	15 175	24 366
Amortisation of acquired intangibles, net of taxation	9 852	7 052
Costs arising from acquisition of subsidiary (including integration costs), net of taxation	11 852	16 773
Preference dividends paid	(39 104)	(39 306)
Additional losses/(earnings) attributable to other equity holders*	109	(557)
Currency hedge attributable to perpetual equity instruments*	1 334	1 724
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	316 709	257 579

* *In accordance with IFRS, dividends attributable to equity holders are 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.*

For the year to 31 March	2013	2012
9. Earnings per share (continued)		
Headline earnings per share – pence	31.9	26.8

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 Listings Requirements, and in terms of circular 3/2012 issued by the South African Institute of Chartered Accountants.

	£'000	£'000
Earnings attributable to shareholders	317 491	247 527
Impairment of goodwill	15 175	24 366
Preference dividends paid	(39 104)	(39 306)
Property revaluation, net of taxation	(19 223)	(2 443)
Gains on available-for-sale instruments recycled through the income statement**	(1 713)	(12 891)
Headline earnings attributable to ordinary shareholders**	272 626	217 253

** *Taxation on headline earnings adjustments amounted to £8.2 million (2012: £5.6 million) with no impact on earnings attributable to non-controlling interests.*

For the year to 31 March	2013 Pence per share	2013 Total £'million	2012 Pence per share	2012 Total £'million
10. Dividends				
Ordinary dividend				
Final dividend for prior year	9.0	78 496	9.0	70 558
Interim dividend for current year	8.0	69 164	8.0	63 878
Total dividend attributable to ordinary shareholders recognised in current financial year	17.0	147 660	17.0	134 436

The directors have proposed a final dividend in respect of the financial year ended 31 March 2013 of 10 pence per ordinary share (31 March 2012: 9.0 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 144 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 10 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 2 pence per ordinary share and through a dividend payment on the SA DAS share of 8 pence per ordinary share.

The final dividend will be payable on 12 August 2013 to shareholders on the register at the close of business on 2 August 2013.

For the year to 31 March	2013 Pence per share*	2013 Cents per share*	2013 Total £'million	2012 Pence per share*	2012 Cents per share*	2012 Total £'million
10. Dividends (continued)						
Perpetual preference dividend						
Final dividend for prior year	7.52	315.86	11 844	7.52	660.45	14 173
Interim dividend for current year	7.52	343.15	15 907	7.52	874.47	12 576
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15.04	659.01	27 751	15.04	1 534.92	26 749

* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.*

The directors have declared a final dividend in respect of the financial year ended 31 March 2013 of 7.48 pence (Investec plc shares traded on the JSE Limited) and 7.48 pence (Investec plc shares traded on the Channel Island Stock Exchange), 402.64384 cents (Rand denominated Investec plc shares traded on the JSE Limited), 329.62 cents (Investec Limited) and 353.18 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be paid on 25 June 2013 to shareholders on the register at the close of business on Friday, 14 June 2013.

For the year to 31 March £'000	2013	2012
Dividend attributable to perpetual preferred securities	11 353	12 557

The €200 000 000 (2012: €200 000 000) fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in both years as set out in note 47.

For the year to 31 March £'000	2013	2012
11. Operating lease income and expenses		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	38 203	14 645
Contingent rents	–	399
	38 203	15 044
Operating lease income recognised in income:		
Minimum lease payments	52 949	59 122
Sublease payments	314	–
	53 263	59 122

The majority of the operating lease expenses in the group relate to leases on property.

Rental income from leases included in 'Other operating income', mainly comprises leases of motor vehicles.

Rental income from leases included in 'Fee and commission income', mainly comprises leases of properties.

12. Analysis of income and impairments by category of financial instruments

For the year to 31 March £'000	At fair value through profit or loss – Trading	At fair value through profit or loss – Designated at inception
2013		
Net interest income	21 388	165 981
Fee and commission income	50 004	1 095
Fee and commission expense	(84)	(411)
Investment income	487	117 213
Trading income arising from		
– customer flow	67 287	1 426
– balance sheet management and other trading activities	20 546	699
Other operating income	–	9 594
Total operating income before impairment losses on loans and advances	159 628	295 597
Impairment losses on loans and advances	–	–
Operating income	159 628	295 597
2012		
Net interest income	63 124	204 787
Fee and commission income	51 612	13 711
Fee and commission expense	(1 859)	(452)
Investment income	–	54 187
Trading income arising from		
– customer flow	79 350	(8 113)
– balance sheet management and other trading activities	20 413	(1 078)
Other operating income	–	3 343
Total operating income before impairment losses on loans and advances	212 640	266 385
Impairment losses on loans and advances	–	–
Operating income	212 640	266 385

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	79 804	1 581 313	92 756	(1 248 495)	44	9 735	702 526
	–	99 710	1 454	665	22 015	942 608	1 117 551
	–	(9 499)	(433)	(7 824)	(402)	(126 223)	(144 876)
	576	14 370	7 977	–	42 266	–	182 889
	–	2 142	–	4	–	–	70 859
	(163)	19 486	(926)	(3 500)	–	(744)	35 398
	–	–	–	–	32 559	–	42 153
	80 217	1 707 522	100 828	(1 259 150)	96 482	825 376	2 006 500
	(5 347)	(245 665)	–	–	–	–	(251 012)
	74 870	1 461 857	100 828	(1 259 150)	96 482	825 376	1 755 488
	98 806	1 811 862	110 174	(1 601 339)	–	11 633	699 047
	459	146 007	331	2 607	46 521	752 131	1 013 379
	–	(10 996)	(431)	(4 767)	–	(110 640)	(129 145)
	(1 013)	22 524	17 516	(7 460)	80 115	8 458	174 327
							–
	–	–	–	5 124	–	705	77 066
	–	1 358	98	(612)	–	12 025	32 204
	–	217	–	–	61 568	–	65 128
	98 252	1 970 972	127 688	(1 606 447)	188 204	674 312	1 932 006
	(10 495)	(314 286)	(337)	–	–	–	(325 118)
	87 757	1 656 686	127 351	(1 606 447)	188 204	674 312	1 606 888

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
2013				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	165 460	–	165 460
Non-sovereign and non-bank cash placements	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	694 180	–	–	694 180
Sovereign debt securities	–	1 806 118	2 038 195	3 844 313
Bank debt securities	602 590	6 629	325 800	935 019
Other debt securities	91 703	113 214	183 942	388 859
Derivative financial instruments*	1 982 571	–	–	1 982 571
Securities arising from trading activities	931 603	–	–	931 603
Investment portfolio	–	879 686	80 678	960 364
Loans and advances to customers	–	1 147 003	–	1 147 003
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	4 612	–	4 612
Other securitised assets	–	531 447	–	531 447
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	401 670	78 039	–	479 709
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 704 317	4 732 208	2 628 615	12 065 140
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	4 704 317	4 732 208	2 628 615	12 065 140
Liabilities				
Deposits by banks	–	330	–	330
Derivative financial instruments*	1 443 325	–	–	1 443 325
Other trading liabilities	851 939	–	–	851 939
Repurchase agreements and cash collateral on securities lent	508 326	–	–	508 326
Customer accounts (deposits)	1 411	447 964	–	449 375
Debt securities in issue	–	187 645	–	187 645
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	427 280	–	427 280
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	454 881	80 049	–	534 930
	3 259 882	1 143 268	–	4 403 150
Liabilities to customers under investment contracts at fair value through profit or loss	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	3 259 882	1 143 268	–	4 403 150
Subordinated liabilities	–	140 366	–	140 366
	3 259 882	1 283 634	–	4 543 516

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

For more information on hedges, please refer to note 53 on pages 100 and 101.

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
–	1 782 447	–	1 782 447	–	–	1 782 447
–	2 964 186	–	2 964 186	–	–	3 129 646
–	420 960	–	420 960	–	–	420 960
–	1 664 492	–	1 664 492	–	–	2 358 672
232 904	–	–	232 904	–	–	4 077 217
744 321	199 765	–	944 086	–	–	1 879 105
41 099	27 694	–	68 793	–	–	457 652
–	–	–	–	–	–	1 982 571
–	–	–	–	–	–	931 603
–	–	–	–	–	–	960 364
90 054	16 247 467	–	16 337 521	–	–	17 484 524
–	930 449	–	930 449	–	–	930 449
217	2 112 914	–	2 113 131	–	–	2 117 743
–	2 351 145	–	2 351 145	–	–	2 882 592
–	–	–	–	–	27 950	27 950
–	–	–	–	–	165 457	165 457
–	1 013 457	–	1 013 457	–	467 272	1 960 438
–	–	–	–	–	126 538	126 538
–	–	–	–	–	451 975	451 975
–	–	–	–	–	466 906	466 906
–	–	–	–	–	178 567	178 567
1 108 595	29 714 976	–	30 823 571	–	1 884 665	44 773 376
–	–	–	–	6 226 142	–	6 226 142
1 108 595	29 714 976	–	30 823 571	6 226 142	1 884 665	50 999 518
–	–	2 976 134	2 976 134	–	–	2 976 464
–	–	–	–	–	–	1 443 325
–	–	–	–	–	–	851 939
–	–	1 431 832	1 431 832	–	–	1 940 158
–	–	24 082 463	24 082 463	–	–	24 531 838
–	–	1 714 131	1 714 131	–	–	1 901 776
–	–	926 335	926 335	–	–	926 335
–	–	1 810 301	1 810 301	–	–	2 237 581
–	–	–	–	–	210 475	210 475
–	–	–	–	–	109 628	109 628
–	–	840 570	840 570	–	511 902	1 887 402
–	–	33 781 766	33 781 766	–	832 005	39 016 921
–	–	–	–	6 224 062	–	6 224 062
–	–	–	–	2 080	–	2 080
–	–	33 781 766	33 781 766	6 226 142	832 005	45 243 063
–	–	1 611 440	1 611 440	–	–	1 751 806
–	–	35 393 206	35 393 206	6 226 142	832 005	46 994 869

13. Analysis of financial assets and liabilities by category of financial instruments (continued)

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
2012				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	7	176 313	–	176 320
Non-sovereign and non-bank cash placements	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	718 811	–	–	718 811
Sovereign debt securities	–	1 882 558	1 763 764	3 646 322
Bank debt securities	1 069 935	12 126	774 182	1 856 243
Other debt securities	20 578	104 441	150 588	275 607
Derivative financial instruments*	1 913 650	–	–	1 913 650
Securities arising from trading activities	640 146	–	–	640 146
Investment portfolio	–	813 820	76 882	890 702
Loans and advances to customers	–	1 225 243	–	1 225 243
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	175 523	–	175 523
Other securitised assets	–	92 900	–	92 900
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	487 276	43 152	16 259	546 687
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 850 403	4 526 076	2 781 675	12 158 154
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	4 850 403	4 526 076	2 781 675	12 158 154
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 421 130	–	–	1 421 130
Other trading liabilities	612 884	–	–	612 884
Repurchase agreements and cash collateral on securities lent	582 682	–	–	582 682
Customer accounts (deposits)	–	549 814	–	549 814
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	40 057	–	40 057
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	563 134	42 806	–	605 940
	3 179 830	632 677	–	3 812 507
Liabilities to customers under investment contracts at fair value through profit and loss	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	3 179 830	632 677	–	3 812 507
Subordinated liabilities		–	–	–
	3 179 830	632 677	–	3 812 507

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

For more information on hedges, please refer to note 53 on pages 100 and 101.

	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
	–	2 593 851	–	2 593 851	–	–	2 593 851
	–	2 549 027	–	2 549 027	–	–	2 725 347
	–	642 480	–	642 480	–	–	642 480
	–	257 181	–	257 181	–	–	975 992
	420 753	18	–	420 771	–	–	4 067 093
	733 498	491 320	–	1 224 818	–	–	3 081 061
	100 216	2 009	–	102 225	–	–	377 832
	–	–	–	–	–	–	1 913 650
	–	–	–	–	–	–	640 146
	–	–	–	–	–	–	890 702
	219 528	15 747 437	–	15 966 965	–	–	17 192 208
	–	1 034 174	–	1 034 174	–	–	1 034 174
	–	2 653 666	–	2 653 666	–	–	2 829 189
	–	3 008 522	–	3 008 522	–	–	3 101 422
	–	–	–	–	–	27 506	27 506
	–	–	–	–	–	150 381	150 381
	–	860 082	–	860 082	–	395 352	1 802 121
	–	–	–	–	–	171 685	171 685
	–	–	–	–	–	407 295	407 295
	–	–	–	–	–	468 320	468 320
	–	–	–	–	–	192 099	192 099
	1 473 995	29 839 767	–	31 313 762	–	1 812 638	45 284 554
	–	–	–	–	6 265 846	–	6 265 846
	1 473 995	29 839 767	–	31 313 762	6 265 846	1 812 638	51 550 400
	–	–	2 967 428	2 967 428	–	–	2 967 428
	–	–	–	–	–	–	1 421 130
	–	–	–	–	–	–	612 884
	–	–	1 281 455	1 281 455	–	–	1 864 137
	–	–	24 793 957	24 793 957	–	–	25 343 771
	–	–	2 243 948	2 243 948	–	–	2 243 948
	–	–	1 036 674	1 036 674	–	–	1 036 674
	–	–	2 361 986	2 361 986	–	–	2 402 043
	–	–	–	–	–	209 609	209 609
	–	–	–	–	–	102 478	102 478
	–	–	474 384	474 384	–	494 830	1 575 154
	–	–	35 159 832	35 159 832	–	806 917	39 779 256
	–	–	–	–	6 263 913	–	6 263 913
	–	–	–	–	1 933	–	1 933
	–	–	35 159 832	35 159 832	6 265 846	806 917	46 045 102
	–	–	1 492 776	1 492 776	–	–	1 492 776
	–	–	36 652 608	36 652 608	6 265 846	806 917	47 537 878

14. Reclassifications of financial instruments

During the year ended 31 March 2009 the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications, respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification.

The group did not undertake any further reclassifications under the amendment to IAS 39 in the current year and in the prior year.

The following table shows carrying values and fair values of the assets reclassified:

At 31 March £'000	2013 Carrying value	2013 Fair value	2012 Carrying value	2012 Fair value
Trading assets reclassified to loans and receivables	46 025	26 784	50 313	39 713
	46 025	26 784	50 313	39 713

If the reclassifications had not been made, the group's income before tax in 2013 would have reduced by £8.6 million (2012: an increase of £11.7 million).

In the current year the reclassified assets have contributed a £372 000 loss through the margin line and a loss of £4.9 million through impairments before taxation. In the prior year, after reclassification, the assets contributed a £198 000 loss through the margin line and a loss of £1.4 million through impairments before taxation.

15. Fair value hierarchy

IFRS 7 requires that an entity disclose for each class of financial instruments measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders. These are all level 1 assets.

15. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Valuation technique applied Level 1	Level 2	Level 3
2013				
Assets				
Loans and advances to banks	165 460	108 954	56 506	–
Reverse repurchase agreements and cash collateral on securities borrowed	694 180	–	694 180	–
Sovereign debt securities	3 844 313	3 549 398	294 915	–
Bank debt securities	935 019	152 401	782 618	–
Other debt securities	388 859	260 439	86 174	42 246
Derivative financial instruments	1 982 571	254 376	1 660 434	67 761
Securities arising from trading activities	931 603	909 608	21 995	–
Investment portfolio	960 364	92 843	634 178	233 343
Loans and advances to customers	1 147 003	–	1 082 723	64 280
Other loans and advances	4 612	–	–	4 612
Other securitised assets	531 447	–	30 955	500 492
Other assets	479 709	477 789	1 133	787
	12 065 140	5 805 808	5 345 811	913 521
Liabilities				
Deposits by banks	330	–	330	–
Derivative financial instruments	1 443 325	205 935	1 234 105	3 285
Other trading liabilities	851 939	851 939	–	–
Repurchase agreements and cash collateral on securities lent	508 326	–	508 326	–
Customer accounts (deposits)	449 375	–	449 375	–
Debt securities in issue	187 645	–	187 645	–
Liabilities arising on securitisation of other assets	427 280	42 126	–	385 154
Other liabilities	534 930	496 993	35 571	2 366
Subordinated liabilities	140 366	–	140 366	–
	4 543 516	1 596 993	2 555 718	390 805

At 31 March £'000	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3
15. Fair value hierarchy (continued)				
2012				
Assets				
Loans and advances to banks	176 320	114 247	62 073	–
Reverse repurchase agreements and cash collateral on securities borrowed	718 811	264 412	454 399	–
Sovereign debt securities	3 646 322	3 344 496	301 826	–
Bank debt securities	1 856 243	247 736	1 608 507	–
Other debt securities	275 607	47 394	167 757	60 456
Derivative financial instruments	1 913 650	203 938	1 678 746	30 966
Securities arising from trading activities	640 146	577 326	62 820	–
Investment portfolio	890 702	155 241	600 429	135 032
Loans and advances to customers	1 225 243	–	1 224 655	588
Other loans and advances	175 523	–	–	175 523
Other securitised assets	92 900	7 630	27 331	57 939
Other assets	546 687	546 359	328	–
	12 158 154	5 508 779	6 188 871	460 504
Liabilities				
Derivative financial instruments	1 421 130	258 239	1 162 891	–
Other trading liabilities	612 884	612 884	–	–
Repurchase agreements and cash collateral on securities lent	582 682	582 682	–	–
Customer accounts (deposits)	549 814	–	549 814	–
Liabilities arising on securitisation of other assets	40 057	–	40 057	–
Other liabilities	605 940	521 381	84 559	–
	3 812 507	1 975 186	1 837 321	–

Transfers between level 1 and level 2

In line with market practice, repurchase agreements have been moved from level 1 to level 2. There is no change to the level of observability, however these are based on principal to principal pricing rather than quoted market prices.

There were no transfers between level 1 and level 2 for the year ended 31 March 2012.

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For the year to 31 March £'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through compre-hensive income

15. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through compre-hensive income
Balance as at 1 April 2011	426 992	358 973	68 019
Total gains or losses	(31 300)	(30 053)	(1 247)
In the income statement	(31 235)	(30 053)	(1 182)
In the statement of comprehensive income	(65)	–	(65)
Purchases	158 932	157 008	1 924
Sales	(52 507)	(43 231)	(9 276)
Issues	(4 842)	(4 842)	–
Settlements	(16 933)	(16 933)	–
Transfers into level 3	26 715	26 715	–
Transfers out of level 3	(46 503)	–	(46 503)
Foreign exchange adjustments	(50)	208	(258)
Balance as at 31 March 2012	460 504	447 845	12 659
Total gains or losses	59 628	62 136	(2 508)
In the income statement	61 225	62 136	(911)
In the statement of comprehensive income	(1 597)	–	(1 597)
Purchases	113 486	62 967	50 519
Sales	(59 261)	(24 794)	(34 467)
Issues	(677)	(677)	–
Settlements	(2 780)	(2 780)	–
Transfers into level 3	131 865	131 289	576
Transfers out of level 3	(185 576)	(185 036)	(540)
Foreign exchange adjustments	5 527	2 842	2 685
Balance as at 31 March 2013	522 716	493 792	28 924

The following table quantifies the gains or losses included in the income statement recognised on level 3 financial instruments:

For the year to 31 March £'000	2013	2012
Total gains or losses included in the income statement for the year		
Net interest (expense)/income	(1 251)	4 921
Fee and commission income	5 196	1 628
Investment income	56 811	(46 685)
Trading income arising from customer flow	618	1 161
Trading income arising from balance sheet management and other trading activities	(952)	7 740
Other operating income	803	–
	61 225	(31 235)

For the year ended 31 March 2013, instruments to the value of £185.6 million were transferred from level 3 into level 2. The valuation methodologies were reviewed and observable inputs are used to determine the fair value.

There were transfers from level 2 to the level 3 category to the value of £131.9 million because the underlying circumstances of the instrument changed and as a result, the significant valuation inputs became unobservable in the market.

For the year ended 31 March 2012, instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs for valuation of these instruments. Instruments were transferred into level 3 when significant inputs to model valuations were no longer observable.

15. Fair value hierarchy (continued)

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

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

At 31 March £'000	Reflected in income statement Favourable changes	Reflected in income statement Unfavourable changes	Reflected in other comprehensive income Favourable changes	Reflected in other comprehensive income Unfavourable changes
2013				
Assets				
Other debt securities	1 459	901	–	–
Derivative financial instruments	47 115	2 080	–	–
Investment portfolio	37 859	13 946	7 011	2 887
Loans and advances to customers	948	9 351	–	–
Other securitised assets	17 552	10 883	–	–
Other assets	60	84	–	–
	104 993	37 245	7 011	2 887
Liabilities				
Derivative financial instruments	2 236	1 089	–	–
Liabilities arising on securitisation of other assets	(4 145)	(2 643)	–	–
Other liabilities	1 525	1 904	–	–
	(384)	350	–	–
2012				
Assets				
Other debt securities	2 041	2 138	2 306	2 467
Derivative financial instruments	59 859	1 397	–	–
Investment portfolio	62 111	23 562	1 569	1 659
Loans and advances to customers	1 211	294	–	–
Other loans and advances	3 953	1 024	–	–
Other securitised assets	23 703	13 811	–	–
	152 878	42 226	3 875	4 126

The above variations have been determined with reference to the key unobservable inputs which mainly relate to future cash flows and discount rates applied.

At 31 March £'000	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
16. Fair value of financial instruments at amortised cost				
Assets				
Cash and balances at central banks	1 782 447	1 782 447	2 593 851	2 593 851
Loans and advances to banks	2 964 186	2 964 185	2 549 027	2 549 029
Non-sovereign and non-bank cash placements	420 960	420 891	642 480	642 425
Reverse repurchase agreements and cash collateral on securities borrowed	1 664 492	1 664 492	257 181	257 181
Sovereign debt securities	232 904	258 667	420 771	424 275
Bank debt securities	944 086	994 789	1 224 818	1 202 166
Other debt securities	68 793	71 092	102 225	103 123
Loans and advances to customers	16 337 521	16 413 795	15 966 965	15 932 526
Own originated loans and advances to customers securitised	930 449	940 848	1 034 174	1 034 274
Other loans and advances	2 113 131	2 036 198	2 653 666	2 542 150
Other securitised assets	2 351 145	2 311 005	3 008 522	3 013 709
Other assets	1 013 457	1 018 477	860 082	905 565
	30 823 571	30 876 886	31 313 762	31 200 274
Liabilities				
Deposits by banks	2 976 134	2 971 164	2 967 428	2 972 337
Repurchase agreements and cash collateral on securities lent	1 431 832	1 430 553	1 281 455	1 295 784
Customer accounts (deposits)	24 082 463	24 105 897	24 793 957	24 828 630
Debt securities in issue	1 714 131	1 706 186	2 243 948	2 247 901
Liabilities arising on securitisation of own originated loans and advances	926 335	926 335	1 036 674	1 036 674
Liabilities arising on securitisation of other assets	1 810 301	1 491 601	2 361 986	2 212 156
Other liabilities	840 570	492 703	474 384	475 990
Subordinated liabilities	1 611 440	1 688 830	1 492 776	1 465 862
	35 393 206	34 813 269	36 652 608	36 535 334

The paragraphs below describe the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

At 31 March £'000	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk		Maximum exposure to credit risk
		Year to date	Cumulative	Year to date	Cumulative	
17. Designated at fair value: loans and receivables and financial liabilities						
Loans and receivables						
2013						
Loans and advances to banks	165 460	6 653	7 384	–	–	165 460
Bank debt securities	6 629	1 107	1 744	–	–	6 629
Other debt securities	21 710	1 205	6 022	1 205	(10 030)	21 710
Loans and advances to customers	1 147 003	15 587	86 974	–	–	1 147 003
Other loans and advances	4 612	–	–	–	–	4 612
Other securitised assets	500 492	(72 064)	(47 114)	(45 270)	(64 120)	500 492
Other assets	1 805	787	787	–	–	1 805
	1 847 711	(46 725)	55 797	(44 065)	(74 150)	1 847 711
2012						
Loans and advances to banks	176 313	6 305	(6 988)	–	–	176 313
Bank debt securities	12 126	71	380	–	–	12 126
Other debt securities	6 251	(1 724)	(10 850)	(1 724)	(10 889)	6 251
Loans and advances to customers	1 225 243	(1 882)	86 405	–	–	1 225 243
Other loans and advances	175 523	(885)	10 147	(257)	(2 402)	175 523
Other securitised assets	22 369	3 186	22 369	(10 250)	(19 511)	22 369
	1 617 825	5 071	101 463	(12 231)	(32 802)	1 617 825

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment	
			Year to date	Cumulative
Financial liabilities				
2013				
Deposits by banks	330	330	(1)	(1)
Customer accounts (deposits)	447 964	427 892	3 381	20 071
Debt securities in issue	187 645	198 645	188	(10 954)
Liabilities arising on securitisation of other assets	427 280	517 129	89 849	89 849
Other liabilities	80 049	77 668	4 156	(2 366)
Subordinated liabilities	140 366	129 175	7 231	11 191
	1 283 634	1 350 839	104 804	107 790
2012				
Customer accounts (deposits)	549 814	530 274	4 832	19 540
Liabilities arising on securitisation of other assets	40 057	40 057	–	–
Other liabilities	42 806	42 806	3 888	–
	632 677	613 137	8 720	19 540

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

Year to date and cumulative changes in fair value of financial liabilities attributable to credit risk were (£2.3) million (2012: £nil).

At 31 March £'000	2013	2012
18. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	403 776	757 788
United Kingdom	1 219 563	1 640 388
Europe (excluding UK)	8 827	15 431
Australia	147 280	180 030
Other	3 001	214
	1 782 447	2 593 851

At 31 March £'000	2013	2012
19. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	1 267 678	533 904
United Kingdom	938 472	1 126 766
Europe (excluding UK)	584 321	895 156
Australia	94 327	89 253
United States of America	168 120	51 729
Other	76 728	28 539
	3 129 646	2 725 347

At 31 March £'000	2013	2012
20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 429 244	761 075
Cash collateral on securities borrowed	929 428	214 917
	2 358 672	975 992
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. £574 million (2012: £191 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	1 839 560	1 812 754
Cash collateral on securities lent	100 598	51 383
	1 940 158	1 864 137

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £2 380.3 million (2012: £2 308.6 million). They are pledged as security for the term of the underlying repurchase agreement.

At 31 March £'000	2013	2012
21. Sovereign debt securities		
Bonds	1 148 859	682 878
Debentures	–	177 179
Liquid asset bills	1 863 853	2 262 854
Commercial paper	20 462	218 292
Treasury bills	871 525	725 890
Floating rate notes	172 518	–
	4 077 217	4 067 093
The country risk of sovereign debt securities lies in the following geographies:		
South Africa	2 416 840	2 419 822
United Kingdom	1 131 343	611 405
Europe (excluding UK)*	234 120	522 698
Australia	294 914	231 824
United States of America	–	281 344
	4 077 217	4 067 093

At 31 March £'000	2013	2012
22. Bank debt securities		
Bonds	878 473	1 370 160
Debentures	22 148	–
Floating rate notes	968 229	1 504 468
Liquid asset bills	10 255	19 512
Promissory notes	–	186 921
	1 879 105	3 081 061
The country risk of bank debt securities lies in the following geographies:		
South Africa	665 543	1 214 128
United Kingdom	475 033	856 267
Europe (excluding UK)*	207 829	179 017
Australia	142 620	463 931
United States of America	388 080	355 047
Other	–	12 671
	1 879 105	3 081 061

* *Where Europe (excluding UK) includes securities held in Germany and France.*

At 31 March £'000	2013	2012
23. Other debt securities		
Bonds	228 254	160 781
Commercial paper	–	16 144
Floating rate notes	57 160	131 511
Unlisted equities	–	629
Promissory notes	771	1 580
Asset based securities	86 811	–
Residual notes	46 136	4 027
Other investments	38 520	63 160
	457 652	377 832
The country risk of other debt securities lies in the following geographies:		
South Africa	150 149	98 239
United Kingdom	147 740	105 927
Europe (excluding UK)	65 859	52 854
Australia	50 296	81 860
United States of America	43 608	38 236
Other	–	716
	457 652	377 832

24. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	2013 Notional principal amounts	2013 Positive fair value	2013 Negative fair value	2012 Notional principal a mounts^	2012 Positive fair value	2012 Negative fair value
24. Derivative financial instruments (continued)						
Foreign exchange derivatives						
Forward foreign exchange contracts	5 299 453	41 169	49 553	4 173 890	37 974	30 185
Currency swaps	15 988 729	435 079	204 355	16 562 689	525 138	102 809
OTC options bought and sold	2 733 914	23 028	20 985	2 808 808	27 513	26 799
Other foreign exchange contracts	1 186 678	5 335	8 410	698 924	1 551	3 178
OTC derivatives	25 208 774	504 611	283 303	24 244 311	592 176	162 971
Interest rate derivatives						
Caps and floors	1 315 416	7 357	5 027	1 714 685	6 031	7 216
Swaps	47 275 885	709 056	572 563	44 263 444	729 741	738 917
Forward rate agreements	49 602 413	22 314	23 568	2 132 646	20 248	13 523
OTC options bought and sold	234 305	1 748	2 036	1 033 809	3 217	2 757
Other interest rate contracts	726 684	15 913	10 461	801 827	1 099	208
OTC derivatives	99 154 703	756 388	613 655	49 946 411	760 336	762 621
Exchange traded futures	48 681	–	233	–	–	494
	99 203 384	756 388	613 888	49 946 411	760 336	763 115
Equity and stock index derivatives						
OTC options bought and sold	4 303 452	195 739	100 536	3 084 355	113 547	74 258
Equity swaps and forwards	452 667	2 432	12 423	61 928	683	1 096
OTC derivatives	4 756 119	198 171	112 959	3 146 283	114 230	75 354
Exchange traded futures	2 731 330	71 047	4 683	2 881 208	20 943	26 210
Exchange traded options	9 492 913	147 437	171 468	10 369 891	154 615	211 481
Warrants	380 893	34	50 515	139 488	2 245	–
	17 361 255	416 689	339 625	16 536 870	292 033	313 045
Commodity derivatives						
OTC options bought and sold	77 173	4 131	19 387	23 413	1 485	101
Commodity swaps and forwards	672 564	186 311	183 395	864 046	186 313	177 701
OTC derivatives	749 737	190 442	202 782	887 459	187 798	177 802
Credit derivatives						
Credit linked notes	46 646	502	–	–	2	–
Credit swaps	218 203	8 863	3 727	343 230	13 873	4 197
	264 849	9 365	3 727	343 230	13 875	4 197
Embedded derivatives*		105 076	–		67 432	–
Derivatives per balance sheet		1 982 571	1 443 325		1 913 650	1 421 130

^ *For certain derivative products the method of calculation of the notional principal amount has been changed during the year. Prior year values have been adjusted to aid comparison.*

* *Mainly includes profit shares received as part of lending transactions.*

At 31 March £'000	2013	2012
25. Securities arising from trading activities		
Listed equities	317 751	279 786
Bonds	123 620	147 785
Floating rate notes	12 275	10 018
Government securities	355 481	202 557
Treasury bills	104 568	–
Other investments	17 908	–
	931 603	640 146

At 31 March £'000	2013	2012
26. Investment portfolio		
Listed equities	88 265	111 808
Unlisted equities*	872 099	778 894
	960 364	890 702

* *Unlisted equities includes loan instruments that are convertible into equity.*

At 31 March £'000	2013	2012
27. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	17 773 761	17 461 668
Impairments of loans and advances to customers	(289 237)	(269 460)
Net loans and advances to customers	17 484 524	17 192 208
Gross other loans and advances to customers	2 301 914	2 991 908
Impairments of other loans and advances to customers	(184 171)	(162 719)
Net other loans and advances to customers	2 117 743	2 829 189

For further analysis on loans and advances refer to pages 29 to 39 in volume two in the risk management section.

	2013	2012
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments		
Loans and advances to customers		
Specific impairment		
Balance at beginning of year	249 838	286 842
Charge to the income statement	191 528	228 654
Reversals and recoveries recognised in the income statement	(34 703)	(2 246)
Utilised	(118 545)	(165 902)
Disposals	–	(83 597)
Exchange adjustment	(13 879)	(13 913)
Balance at end of year	274 239	249 838

At 31 March £'000	2013	2012
27. Loans and advances to customers and other loans and advances (continued)		
Portfolio impairment		
Balance at beginning of year	19 622	30 707
Charge to the income statement	(3 706)	(10 138)
Exchange adjustment	(918)	(947)
Balance at end of year	14 998	19 622
Other loans and advances		
Specific impairment		
Balance at beginning of year	67 306	46 225
Charge to the income statement	38 570	42 723
Utilised	(23 689)	(18 919)
Exchange adjustment	(4 880)	(2 723)
Balance at end of year	77 307	67 306
Portfolio impairment		
Balance at beginning of year	95 413	68 578
Charge to the income statement	11 456	32 305
Transfer to Securitised Assets	(918)	–
Exchange adjustment	913	(5 470)
Balance at end of year	106 864	95 413
Total specific impairments	351 546	317 144
Total portfolio impairments	121 862	115 035
Total impairments	473 408	432 179
Interest income recognised on loans that have been impaired	37 465	38 263
Reconciliation of income statement charge:		
Loans and advances to customers	153 119	216 270
Specific impairment charged to income statement	156 825	226 408
Portfolio impairment released to income statement	(3 706)	(10 138)
Securitised assets (refer to note 28)	47 867	33 820
Specific impairment charged to income statement	30 986	23 538
Portfolio impairment charged to income statement	16 881	10 282
Other loans and advances	50 026	75 028
Specific impairment charged to income statement	38 570	42 723
Portfolio impairment charged to income statement	11 456	32 305
Total income statement charge	251 012	325 118

At 31 March £'000	2013	2012
28. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	931 406	1 035 912
Impairments of own originated loans and advances to customers securitised	(957)	(1 738)
Net own originated loans and advances to customers securitised	930 449	1 034 174
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	110 508	129 369
Loans and advances to customers	727 813	623 009
Kensington securitised assets	2 001 712	2 321 713
Other debt securities	42 559	27 331
Total other securitised assets	2 882 592	3 101 422
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	(926 335)	(1 036 674)
Liabilities arising on securitisation of other assets	(2 237 581)	(2 402 043)
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at beginning of year	(2 119)	15 969
Charge to the income statement	30 986	23 538
Utilised	(31 562)	(28 809)
Disposals	–	(13 031)
Recoveries	284	–
Exchange adjustment	274	214
Balance at end of year	(2 137)	(2 119)
Own originated loans and advances to customers securitised	424	1 201
Kensington loans and advances securitised	(2 561)	(3 320)
Portfolio impairment		
Balance at beginning of year	27 418	33 224
Charge to the income statement	16 881	10 282
Transfer from other loans and advances	918	–
Disposals	(116)	(16 843)
Exchange adjustment	24	755
Balance at end of year	45 125	27 418
Own originated loans and advances to customers securitised	533	537
Kensington loans and advances securitised	44 592	26 881
Total portfolio and specific impairments on balance sheet	42 988	25 299

At 31 March £'000	2013	2012
29. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	20 909	20 451
Goodwill	7 041	7 055
Investment in associated undertakings	27 950	27 506
Associated undertakings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At beginning of year	20 451	16 764
Exchange adjustments	864	(1 042)
Disposals	(3 323)	(556)
Acquisitions	–	3 953
Operating income from associates (included in other operating income)	3 476	1 627
Dividends received	(559)	(295)
At end of year	20 909	20 451
Analysis of the movement in goodwill:		
At beginning of year	7 055	6 717
Exchange adjustments	(14)	(1)
Acquisitions	–	339
At end of year	7 041	7 055

At 31 March £'000	2013	2012
30. Deferred taxation		
Deferred taxation assets	165 457	150 381
Deferred taxation liabilities	(109 628)	(102 478)
Net deferred taxation assets	55 829	47 903
The net deferred taxation assets arise from:		
Deferred capital allowances	23 708	20 240
Income and expenditure accruals	53 779	74 470
Asset in respect of unexpired options	31 873	17 330
Unrealised fair value adjustments on financial instruments	(30 123)	(31 895)
Losses carried forward	53 137	52 801
Liability in respect of pensions surplus	(5 440)	(6 150)
Deferred taxation on acquired intangibles	(35 251)	(40 656)
Revaluation of property	(21 996)	(23 408)
Debt buy-back	(19 210)	(22 477)
Finance lease accounting	2 466	–
Other temporary differences	2 886	7 648
Net deferred taxation assets	55 829	47 903

At 31 March £'000	2013	2012
30. Deferred taxation (continued)		
Reconciliation of net deferred taxation assets:		
At beginning of year	47 903	(33 912)
Credit to the income statement – current year taxation	2 928	78 528
Charge directly in other comprehensive income	(196)	–
Acquisitions	502	(3 173)
Other	1 665	2 306
Exchange adjustments	3 027	4 154
At year end	55 829	47 903

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

The Finance Act 2012 in the UK reduced the main rate of corporate taxation to 23% with effect from 1 April 2013 and the effect of this reduction is reflected in the above calculation of the deferred taxation asset as the rate was substantially enacted before 31 March 2013. On 5 December 2012, the UK government announced its intention to further reduce the main rate of corporate taxation with effect from 1 April 2014, with the rate being reduced to 21% and to 20% with effect from 1 April 2015. These are expected to be substantively enacted in July 2013.

At 31 March £'000	2013	2012
31. Other assets		
Settlement debtors	1 213 465	1 131 379
Dealing properties	254 571	244 949
Accruals and prepayments	101 924	106 342
Pension assets (refer to note 41)	28 083	25 625
Trading initial margin	77 656	79 766
Other	284 739	214 060
	1 960 438	1 802 121

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
32. Property and equipment						
2013						
Cost						
At beginning of year	20 833	57 501	26 520	77 952	104 675	287 481
Exchange adjustments	4 585	(5 847)	3 324	4 578	–	6 640
Acquisition of subsidiary undertakings	–	–	423	742	–	1 165
Additions	12 692	4 612	2 196	11 556	9 338	40 394
Disposals	(934)	(2 320)	(1 305)	(11 189)	(50 766)	(66 514)
At end of year	37 176	53 946	31 158	83 639	63 247	269 166
Accumulated depreciation						
At beginning of year	(1 037)	(20 920)	(15 891)	(45 233)	(32 715)	(115 796)
Exchange adjustments	(134)	(428)	(5 014)	(6 534)	–	(12 110)
Disposals	99	921	1 074	3 861	15 994	21 949
Depreciation charge for year	(708)	(5 055)	(3 030)	(11 806)	(16 072)	(36 671)
At end of year	(1 780)	(25 482)	(22 861)	(59 712)	(32 793)	(142 628)
Net carrying value	35 396	28 464	8 297	23 927	30 454	126 538

* *These are assets held by the group, in circumstances where the group is the lessor.*

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
32. Property and equipment (continued)						
2012						
Cost						
At beginning of year	21 703	45 511	28 669	73 842	210 342	380 067
Exchange adjustments	(1 818)	(308)	(1 547)	(7 168)	–	(10 841)
Acquisition of subsidiary undertakings	–	–	1 246	1 888	–	3 134
Additions	4 702	18 851	3 185	11 661	38 852	77 251
Disposals	(3 754)	(6 553)	(5 033)	(2 271)	(144 519)	(162 130)
At end of year	20 833	57 501	26 520	77 952	104 675	287 481
Accumulated depreciation						
At beginning of year	(640)	(22 850)	(17 598)	(43 363)	(15 815)	(100 266)
Exchange adjustments	80	378	1 220	4 715	–	6 393
Disposals	–	5 603	3 337	4 388	11 770	25 098
Depreciation charge for year	(477)	(4 051)	(2 850)	(10 973)	(28 670)	(47 021)
At end of year	(1 037)	(20 920)	(15 891)	(45 233)	(32 715)	(115 796)
Net carrying value	19 796	36 581	10 629	32 719	71 960	171 685

* *These are assets held by the group, in circumstances where the group is the lessor.*

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.

At 31 March £'000	2013	2012
33. Investment properties		
At beginning of year	407 295	379 527
Additions	157 646	164 287
Disposals	(51 871)	(113 868)
Fair value movement	(9 599)	22 611
Exchange adjustment	(51 496)	(45 262)
At end of year	451 975	407 295

Investment properties are carried at fair value.

The directors value the group's investment properties twice annually by capitalising the annual net income of a property at the market related yield applicable at the time.

At 31 March £'000	2013	2012
34. Goodwill		
Cost		
At beginning of year	658 781	630 472
Acquisition of subsidiaries	12 159	38 287
Written off	(32 649)	–
Exchange adjustments	(17 229)	(9 978)
At end of year	621 062	658 781
Accumulated impairments		
At beginning of year	(190 461)	(173 864)
Income statement amount	(15 175)	(24 366)
Written off	32 649	–
Exchange adjustments	18 831	7 769
At end of year	(154 156)	(190 461)
Net carrying value	466 906	468 320
Analysis of goodwill by line of business and geography		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	243 102	233 120
Specialist Banking	75 242	88 672
	406 389	409 837
South Africa		
Asset Management	7 450	10 487
Wealth & Investment	2 494	2 850
Specialist Banking	316	359
	10 260	13 696
Australia		
Specialist Banking	50 257	44 787
Total group	466 906	468 320

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

34. Goodwill (continued)

UK, Europe and Australia

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Investec Wealth & Investment (IWI) which now includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group (EVG)) which was merged with IWI in August 2012.

For IWI goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 10.4% (2012: 11.5%) which incorporate an expected revenue growth rate of 2% (March 2012: 3%).

For Investec Asset Management, the value placed on the business in the proposed sale of 15% of the company to management comfortably supports the value of the goodwill of £88 million.

Goodwill of £121.1 million arising on the acquisition of Kensington on 7 August 2008 was written down by £60.0 million at 31 March 2008 and by a further £21.5 million in the year ended 31 March 2012 to £39.7 million.

The remaining goodwill has been tested for impairment on the basis of the existing book, assuming no new mortgage origination and no recovery in securitisation markets. Cash flows have been projected for a seven year period using the latest available information on debts and expected repayments discounted at 16.1% (2012: 14.9%). Future impairment of this goodwill will be largely dependent on the level of impairment of the underlying mortgage assets. On this basis and based on the sensitivity analysis performed by management, the goodwill valuation is above book value.

South Africa

The majority of the goodwill attributed to the South African operations relate to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability, being the current year profits and the budgeted profits and funds under management. The discount rate applied of 13.4% is determined using the South African risk-free rate adjusted for the risk related to the cash-generating unit.

Movement in goodwill

2013

Goodwill arising from acquisitions in 2013 (as detailed in note 36):

- Neontar Limited – £6.4 million
- Investec Asset Finance & Leasing (Pty) Ltd £2.6 million
- EVG £3.2 million.

2012

Goodwill arising from acquisitions in 2012 (as detailed in the note 36):

- EVG – £36.0 million
- Investec Capital Asia Limited – £2.3 million.

35. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
2013						
Cost						
At beginning of year	78 844	4 678	3 469	–	181 827	268 818
Exchange adjustments	(2 886)	(482)	107	61	234	(2 966)
Acquisition of a subsidiary undertaking	–	–	–	822	3 192	4 014
Additions	4 413	334	205	–	–	4 952
Disposals	(6 197)	–	(255)	–	–	(6 452)
At end of year	74 174	4 530	3 526	883	185 253	268 366
Accumulated amortisation and impairments						
At beginning of year	(56 197)	(4 678)	(391)	–	(15 453)	(76 719)
Exchange adjustments	1 181	1 902	63	–	280	3 426
Disposals	6 507	–	–	–	–	6 507
Amortisation	(8 920)	(701)	–	(79)	(13 313)	(23 013)
At end of year	(57 429)	(3 477)	(328)	(79)	(28 486)	(89 799)
Net carrying value	16 745	1 053	3 198	804	156 767	178 567
2012						
Cost						
At beginning of year	81 763	4 064	1 338	–	113 100	200 265
Exchange adjustments	(1 961)	(659)	5	–	23	(2 592)
Acquisition of a subsidiary undertaking	242	–	–	–	68 688	68 930
Additions	4 078	1 273	2 126	–	16	7 493
Disposals	(5 278)	–	–	–	–	(5 278)
At end of year	78 844	4 678	3 469	–	181 827	268 818
Accumulated amortisation and impairments						
At beginning of year	(54 684)	(2 806)	(391)	–	(5 932)	(63 813)
Exchange adjustments	2 424	1 371	–	–	9	3 804
Disposals	3 223	–	–	–	–	3 223
Amortisation	(7 160)	(3 243)	–	–	(9 530)	(19 933)
At end of year	(56 197)	(4 678)	(391)	–	(15 453)	(76 719)
Net carrying value	22 647	–	3 078	–	166 374	192 099

Client relationships all relate to the acquisitions of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

36. Acquisitions and disposals

2013

Acquisitions

On 11 June 2012 Investec plc acquired the entire issued share capital of Neontar Limited (parent of the NCB group 'NCB'). The assets and liabilities at the date of acquisition, goodwill arising and total consideration paid are shown below:

	Book value of assets and liabilities			Fair value of assets and liabilities		
£'000	NCB	Other	Total	NCB	Other	Total
Loans and advances to banks	10 277	–	10 277	10 277	–	10 277
Trading securities	789	–	789	789	–	789
Investment securities	6 548	–	6 548	6 548	–	6 548
Deferred taxation assets	69	–	69	679	–	679
Other assets	51 393	–	51 393	50 513	1 009	51 522
Property and equipment	1 165	–	1 165	1 165	–	1 165
Intangible assets	–	–	–	4 014	–	4 014
Goodwill*	–	–	–	6 350	5 809	12 159
	70 241	–	70 241	80 335	6 818	87 153
Current taxation liabilities	74	–	74	74	–	74
Deferred taxation liabilities	–	–	–	502	–	502
Other trading liabilities	278	–	278	278	–	278
Other liabilities	45 366	–	45 366	50 981	4 207	55 188
	45 718	–	45 718	51 835	4 207	56 042
Net assets/fair value of net assets acquired	24 523	–	24 523	28 500	2 611	31 111
Fair value of cash consideration				28 500	2 611	31 111
Loans and advances to banks at acquisition						10 277
Fair value of cash consideration						(31 111)
Net cash outflow						(20 834)

* *The goodwill arising from the acquisition of NCB consists largely of the benefits expected to arise from the enhancement of the group's wealth and investment offering through the combination of NCB's wealth and investment business with the group's existing business.*

For the post-acquisition period 12 June 2012 to 31 March 2013, the operating income of NCB totalled £12.705 million and losses before taxation were £2.609 million.

The operating income before impairment losses on loans and advances of Investec would have been £2 008.9 million and operating profit would have been £394.2 million if the acquisition of NCB had been on 1 April 2012 as opposed to 11 June 2012.

Disposals

There were no significant disposals of subsidiaries during the year ended 31 March 2013.

2012

Acquisitions

Acquisition of Evolution Group

On 22 December 2011 Investec plc issued 53 800 540 ordinary shares at a value of 326.8 pence each as consideration for the acquisition of the entire issued ordinary share capital of Evolution Group plc (EVG).

The acquisition was carried out by way of a scheme of arrangement under section 425 of the Companies Act under which each EVG shareholder received 0.23124 new Investec ordinary shares for each EVG scheme share held.

Acquisition of Access Capital Limited

On 18 April 2011 Investec Bank plc acquired the entire ordinary share capital of Access Capital Limited and changed its name to Investec Capital Asia Limited (ICAL). ICAL is a licensed entity regulated by the Hong Kong Securities and Futures Commission that has been providing investment banking services to clients based in Greater China since 2000.

36. Acquisitions and disposals (continued)

The assets and liabilities at the date of acquisition, goodwill arising on these transactions and total consideration paid are disclosed in the table below:

	Book value of assets and liabilities			Fair value of assets and liabilities		
£'000	EVG	ICAL	Total	EVG	ICAL	Total
Loans and advances to banks	59 248	535	59 783	59 248	535	59 783
Trading securities	11 578	–	11 578	11 578	–	11 578
Investment securities	2068	–	2 068	1 973	–	1 973
Interests in associated undertakings	77	–	77	–	–	–
Derivatives	133	–	133	133	–	133
Deferred taxation assets	17 317	–	17 317	13 807	–	13 807
Other assets	37 214	354	37 568	36 479	354	36 833
Property and equipment	3 121	13	3 134	3 121	13	3 134
Intangible assets	16 426	930	17 356	68 000	930	68 930
Goodwill*	10 661	2 286	12 947	36 001	2 286	38 287
	157 843	4 118	161 961	230 340	4 118	234 458
Current taxation liabilities	19	–	19	19	–	19
Deferred taxation liabilities	2 990	–	2 990	16 980	–	16 980
Other trading liabilities	2 481	–	2 481	2 481	–	2 481
Other liabilities	40 719	20	40 739	40 979	20	40 999
Non-controlling interests	(158)	–	(158)	(158)	–	(158)
	46 051	20	46 071	60 301	20	60 321
Net assets/fair value of net assets acquired	111 792	4 098	115 890	170 039	4 098	174 137
Issue of shares				175 820	–	175 820
Less: treasury shares acquired				(5 781)	–	(5 781)
Fair value of cash consideration				–	4 098	4 098
				170 039	4 098	174 137
Loans and advances to banks at acquisition						59 783
Fair value of cash consideration						(4 098)
Net cash inflow						55 685

* *The goodwill arising from the acquisition of EVG consists largely of the benefits expected to arise from the enhancement of the group's wealth and investment offering through the combination of EVG's subsidiary, Williams de Broë, with the group's existing wealth and investment business. In the case of ICAL, the goodwill represents the benefits expected to arise from the extending the group's investment banking capability to the Hong Kong market. None of the goodwill arising during the year is expected to be deductible for tax purposes.*

For the post-acquisition period 23 December 2011 to 31 March 2012, the operating income of EVG totalled £20.732 million and losses before taxation, including integration costs, totalled £21.916 million.

The operating income before impairment losses on loans and advances of Investec would have been £2 000.551 million and operating profit would have totalled £283.989 million, if the acquisition of EVG had been on 1 April 2011 as opposed to 22 December 2011. £17.117 million of costs arising from the integration of the acquired subsidiaries and £5.342 million of the direct costs associated to the acquisition have been expensed in the income statement.

Disposals

There were no significant disposals of subsidiaries during the year ended 31 March 2012.

At 31 March £'000	2013	2012
37. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	46 926	40 622
Investec Assurance Limited	6 177 136	6 223 291
Insurance liabilities, including unit-linked liabilities – IEB	2 080	1 933
	6 226 142	6 265 846
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	49 006	42 450
Other assets	–	105
	49 006	42 555
Investments above comprise:		
Interest-bearing securities	19 490	19 799
Stocks, shares and unit trusts	18 410	14 829
Deposits	11 106	7 822
	49 006	42 450
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	6 126 100	6 190 037
Debtors and prepayments	1 492	13 364
Other assets	49 544	19 890
	6 177 136	6 223 291
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise		
Interest-bearing securities	1 627 551	1 759 447
Stocks, shares and unit trusts	3 687 579	3 449 199
Deposits	810 970	981 391
	6 126 100	6 190 037

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

	2013	2012
Long-term assurance activities linked to policyholders		
Income statement items related to assurance activities		
Investment income on assurance activities	1 934	7 323
Premiums and reinsurance recoveries in insurance contracts	11 977	14 556
Claims and reinsurance premiums on insurance business	(12 349)	(20 956)
Operating expenses	(670)	(9)
Net income before taxation	892	914
Taxation	(250)	(721)
Net income after taxation	642	193

At 31 March £'000	2013	2012
38. Other trading liabilities		
Short positions		
– Equities	517 991	396 669
– Gilts	333 948	216 215
	851 939	612 884

At 31 March £'000	2013	2012
39. Debt securities in issue		
Bonds and medium-term notes repayable*:		
Less than three months	34 526	224 361
Three months to one year	107 785	56 098
One to five years	22 506	123 156
Greater than five years	5 638	–
	170 455	403 615
Other unlisted debt securities in issue repayable*:		
Less than three months	191 577	419 672
Three months to one year	197 361	223 449
One to five years	1 027 780	1 134 329
Greater than five years	314 603	62 883
	1 731 321	1 840 333
	1 901 776	2 243 948

* *The 2012 disclosures have been restated to correctly reflect the split between bonds and medium-term notes repayable (reflected as £nil in the 2012 financial statements) and other unlisted debt securities in issue (reflected as £2 243.948 million in the 2012 financial statements). The total debt securities in issue were unchanged.*

At 31 March £'000	2013	2012
40. Other liabilities		
Settlement liabilities	1 065 791	832 841
Dividend payable	1 969	5 446
Other creditors and accruals	551 895	461 590
Other non-interest bearing liabilities	267 747	275 277
	1 887 402	1 575 154

At 31 March £'000	2013	2012
41. Pension commitments		
Income statement income		
Defined benefit obligations net income included in net interest income	(60)	(685)
Cost of defined contribution schemes included in staff costs	32 536	31 546
Net income statement charge in respect of pensions	32 476	30 861

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the United Kingdom being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2013 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution schemes outstanding at the year end.

The major assumptions used were:	2013	2012
Discount rate	4.40%	4.70%
Rate of increase in salaries	3.40%	3.30%
Rate of increase in pensions in payment	1.8% – 3.3%	2.1% – 3.2%
Inflation (RPI)	3.30%	3.30%
Inflation (CPI)	2.40%	2.30%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection subject to a 1% underpin. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	87.6	87.4
Female aged 65	89.6	89.5
Male aged 45	89.5	89.3
Female aged 45	91.0	90.0

The assets held in the schemes and the expected rates of return were:

At 31 March	Value at 2013 £'000	Long-term rate of return expected	Value at 2012 £'000	Long-term rate of return expected
GM scheme				
Equities	18 522	7.0%	26 899	7.20%
Gilts	116 517	3.0%	91 359	3.20%
Cash	2 464	3.0%	8 107	3.20%
Total market value of assets	137 503		126 365	
IAM scheme				
Equities	13 872	6.9%	10 138	7.20%
Gilts	2 619	2.9%	3 422	3.20%
Cash	5 454	2.9%	767	3.20%
Total market value of assets	21 945		14 327	

At 31 March £'000	2013 GM	2013 IAM	2013 Total	2012 GM	2012 IAM	2012 Total
41. Pension commitments (continued)						
Recognised in the balance sheet						
Market value of fund assets	137 503	21 944	159 447	126 365	14 327	140 692
Present value of obligations	(115 643)	(15 721)	(131 364)	(100 743)	(14 324)	(115 067)
Net asset (recognised in other assets)	21 860	6 223	28 083	25 622	3	25 625
Recognised in the income statement						
Expected return on pension scheme assets	4 452	870	5 322	5 338	928	6 266
Interest on pension obligations	(4 604)	(658)	(5 262)	(4 910)	(671)	(5 581)
Net return	(152)	212	60	428	257	685
Recognised in the statement of comprehensive income						
Actuarial gain/(loss) on plan assets	8 592	535	9 127	11 478	(801)	10 677
Actuarial loss	(15 881)	(1 403)	(17 284)	(8 843)	(1 537)	(10 380)
Actuarial (loss)/gain	(7 289)	(868)	(8 157)	2 635	(2 338)	297
Deferred tax	1 745	217	1 962	(548)	533	(15)
Actuarial (loss)/gain in statement of comprehensive income	(5 544)	(651)	(6 195)	2 087	(1 805)	282
Actual return on plan assets	13 044	1 404	14 448	16 816	127	16 943

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income is £1.7 million (2012: gains of £6.4 million).

At 31 March £'000	GM	IAM	Total
Changes in the fair value of defined benefit obligations			
Opening defined benefit obligation at 1 April 2011	91 552	12 279	103 831
Interest cost	4 910	671	5 581
Actuarial losses	8 843	1 537	10 380
Benefits and expenses paid	(4 562)	(163)	(4 725)
Opening defined benefit obligation at 1 April 2012	100 743	14 324	115 067
Interest cost	4 604	658	5 262
Actuarial losses	15 881	1 403	17 284
Benefits and expenses paid	(5 585)	(664)	(6 249)
Closing defined benefit obligation at 31 March 2013	115 643	15 721	131 364

At 31 March £'000	GM	IAM	Total
41. Pension commitments (continued)			
Changes in the market value of plan assets			
Opening defined benefit obligation at 1 April 2011	110 559	13 487	124 046
Expected return	5 338	928	6 266
Actuarial gain/(loss)	11 478	(801)	10 677
Contributions by the employer	3 552	876	4 428
Benefits and expenses paid	(4 562)	(163)	(4 725)
Opening defined benefit obligation at 1 April 2012	126 365	14 327	140 692
Expected return	4 452	870	5 322
Actuarial gain	8 592	535	9 127
Contributions by the employer	3 679	6 876	10 555
Benefits and expenses paid	(5 585)	(664)	(6 249)
Closing market value of plan assets at 31 March 2013	137 503	21 944	159 447

The group expects to make £4.3 million of contributions to the GM defined benefit scheme in the 2014 financial year.

At 31 March £'000	2013	2012	2011	2010	2009
History of experience gains and losses					
GM scheme					
Defined benefit obligation	(115 643)	(100 743)	(91 552)	(102 018)	(79 586)
Plan assets	137 503	126 365	110 559	104 587	89 912
Surplus	21 860	25 622	19 007	2 569	10 326
Experience adjustments on plan liabilities	(15 881)	(8 843)	11 334	(18 585)	1 791
Experience adjustments on plan assets	8 592	11 478	1 178	7 794	(12 838)
IAM scheme					
Defined benefit obligation	(15 721)	14 327	13 487	(12 881)	(8 907)
Plan assets	21 944	(14 324)	(12 279)	11 596	7 695
Surplus/(deficit)	6 223	3	1 208	(1 285)	(1 212)
Experience adjustments on plan liabilities	(1 403)	(1 537)	1 145	(3 574)	518
Experience adjustments on plan assets	534	(801)	341	3 004	(2 953)

At 31 March £'000		2013	2012
42. Subordinated liabilities			
Issued by Investec Finance plc			
Guaranteed subordinated step-up notes		33 979	33 979
Guaranteed undated subordinated callable step-up notes		18 990	19 230
Issued by Investec Bank plc			
Subordinated fixed rate medium-term notes		577 470	576 826
Issued by Investec Australia Limited			
Subordinated floating rate medium-term notes		14 480	7 057
Issued by Kensington Group plc			
Callable subordinated notes		71 173	71 184
Issued by Investec Bank Limited			
IV03	16% unsecured subordinated bonds	–	122 867
IV04	10.75% subordinated unsecured callable bonds	147 745	168 044
IV07	variable rate subordinated unsecured callable bonds	67 425	76 670
IV08	13.735% subordinated unsecured callable upper tier 2 bonds	14 331	16 295
IV09	variable rate subordinated unsecured callable upper tier 2 bonds	14 331	16 295
IV012	variable rate subordinated unsecured callable bonds	17 913	20 369
IV013	variable rate subordinated unsecured callable bonds	3 583	4 074
IV014	10.545% subordinated unsecured callable bonds	8 957	10 185
IV015	variable rate subordinated unsecured callable bonds	96 732	109 994
IV016	variable rate subordinated unsecured callable bonds	23 287	26 480
IV017	indexed rate subordinated unsecured callable bonds	129 867	138 368
IV019	indexed rate subordinated unsecured callable bonds	5 324	–
IV019A	indexed rate subordinated unsecured callable bonds	19 536	–
IV022	variable rate subordinated unsecured callable bonds	71 438	–
IV023	variable rate subordinated unsecured callable bonds	61 622	–
IV024	variable rate subordinated unsecured callable bonds	7 597	–
IV025	variable rate subordinated unsecured callable bonds	71 653	–
IV026	variable rate subordinated unsecured callable bonds	53 740	–
IV030	indexed rate subordinated unsecured callable bonds	21 440	–
IV030A	indexed rate subordinated unsecured callable bonds	23 001	–
IV031	variable rate subordinated unsecured callable bonds	35 826	–
Issued by Investec Property Fund			
Variable rate unsecured subordinated debentures		140 366	74 859
		1 751 806	1 492 776

At 31 March £'000	2013	2012
42. Subordinated liabilities (continued)		
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand.		
Remaining maturity:		
In one year or less, or on demand	215 170	122 867
In more than one year, but not more than two years	–	277 304
In more than two years, but not more than five years	415 268	323 869
In more than five years	1 121 368	768 736
	1 751 806	1 492 776

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Guaranteed subordinated step-up notes

As at 31 March 2013 Investec Finance plc had in issue £33 793 000 of guaranteed subordinated step-up notes due in 2016. Interest is paid annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the UK Regulator. On 1 March 2011 the interest rate was reset to 6.482%, the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

Guaranteed undated subordinated callable step-up notes

As at 31 March 2013 Investec Finance plc had in issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three-month LIBOR plus 2.11% payable quarterly in arrears.

Medium-term notes

Subordinated fixed rate medium-term notes (denominated in Sterling)

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 17 February 2022. On 29 June 2011 Investec Bank plc issued a further £75 000 000 of 9.625% subordinated 2022 notes at a premium (these were consolidated and form a single series, and are fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

Subordinated floating rate medium-term notes (denominated in Australian Dollars)

A$16 150 000 of floating rate medium-term notes (MTN) issued on 12 February 2010 at Australian three-month bank bills swap rate (BBSW) plus 5%. The maturity date is 12 February 2020. Interest is payable quarterly up to and excluding the early redemption date 12 February 2015. After this date, if the issuer's call is not exercised, the interest will be the aggregate of three-month BBSW plus 7.5% payable quarterly in arrears.

During the year, on 20 December 2012, a further A$50 000 000 of floating rate MTN were issued at 30-day Australian bank bills swap rate (BBSW) plus 5.50% margin. The maturity date is 20 December 2022. Interest is payable monthly up to and including the maturity date. Early redemption, at the option of the issuer, is on each interest payment date from and including 20 December 2017 until, and including, the maturity date.

Callable subordinated notes

Kensington Group plc has in issue £69 767 000 callable subordinated notes due in 2015. As from the reset date of 21 December 2010, interest is payable at the rate of 7.285%, annually in arrears. The issuer may, at its option, redeem all, but not only some of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015.

IV03 16% subordinated unsecured callable bonds

Rnil million (2012: R1 508 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of three-month JIBAR plus 2.00% until called/maturity. The bonds were subsequently called and settled on 2 April 2012.

42. Subordinated liabilities (continued)

IV04 10.75% subordinated unsecured callable bonds

R2 062 million (2012: R2 062 million) Investec Bank Limited IV04 locally registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to floating rate bonds of three-month JIBAR plus 2.00% from 31 March 2013. The bonds were subsequently called and settled on 2 April 2013.

IV07 variable rate subordinated unsecured callable bonds

R941 million (2012: R941 million) Investec Bank Limited IV07 locally registered unsecured subordinated callable bonds due in 2018. Interest is payable quarterly in arrears on 31 March, 30 June, 30 September, 31 December at a rate equal to three-month JIBAR plus 1.40% until 31 March 2013. From and including 31 March 2013 up to and excluding 31 March 2018 interest is paid at a rate equal to three-month JIBAR plus 2.00%. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. The bonds were subsequently called and settled on 2 April 2013.

IV08 13.735% subordinated unsecured callable upper tier 2 bonds

R200 million (2012: R200 million) Investec Bank Limited IV08 locally registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

R200 million (2012: R200 million) Investec Bank Limited IV09 locally registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million (2012: R250 million) Investec Bank Limited IV012 locally registered unsecured subordinated callable bonds are due in November 2019. Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to three-month JIBAR plus 3.25% until 26 November 2014. From and including 26 November 2014 up to and excluding 26 November 2019 interest is paid at a rate equal to three-month JIBAR plus 4.50%. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014.

IV013 variable rate subordinated unsecured callable bonds

R50 million (2012: R50 million) Investec Bank Limited IV013 locally registered unsecured subordinated callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to three-month JIBAR plus 2.75% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to three-month JIBAR plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million (2012: R125 million) Investec Bank Limited IV014 locally registered unsecured subordinated callable bonds are due in June 2020. Interest is payable six monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to three-month JIBAR plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million (2012: R1 350 million) Investec Bank Limited IV015 locally registered unsecured subordinated callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to three-month JIBAR plus 2.65% basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to three-month JIBAR plus 4.00%. The maturity date is 22 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017.

IV016 variable rate subordinated unsecured callable bonds

R325 million (2012: R325 million) Investec Bank Limited IV016 locally registered unsecured subordinated callable bonds are due in December 2021. Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to three-month JIBAR plus 2.75% until 6 December 2021. The maturity date is 6 December 2021, but the company has the option to call the bonds upon regulatory disqualification or from 6 December 2016.

42. Subordinated liabilities (continued)

IV017 indexed rate subordinated unsecured callable bonds

R1 813 million (2012: R1 698 million) Investec Bank Limited IV017 locally registered unsecured subordinated callable bonds are due in January 2022. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.75%. The IV017 is a replica of the R212 South African government bond. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

IV019 indexed rate subordinated unsecured callable bonds

R74 million Investec Bank Limited IV019 locally registered unsecured subordinated callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R273 million Investec Bank Limited IV019A locally registered unsecured subordinated callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV022 variable rate subordinated unsecured callable bonds

R997 million Investec Bank Limited IV022 locally registered unsecured subordinated callable bonds are due in April 2022. Interest is payable quarterly on 2 January, 2 April, 2 July and 2 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 2 April 2022. The maturity date is 2 April 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 2 April 2017.

IV023 variable rate subordinated unsecured callable bonds

R860 million Investec Bank Limited IV023 locally registered unsecured subordinated callable bonds are due in July 2022. Interest is payable quarterly on 11 January, 11 April, 11 July and 11 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 11 July 2022. The maturity date is 11 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

R106 million Investec Bank Limited IV024 locally registered unsecured subordinated callable bonds are due in July 2022. Interest is payable quarterly on 27 January, 27 April, 27 July and 27 October at a rate equal to the three-month JIBAR plus 2.70% up to and excluding 27 July 2022. The maturity date is 27 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 27 July 2017.

IV025 variable rate subordinated unsecured callable bonds

R1 000 million Investec Bank Limited IV025 locally registered unsecured subordinated callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

R750 million Investec Bank Limited IV026 locally registered unsecured subordinated callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month JIBAR plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

R299 million Investec Bank Limited IV030 locally registered unsecured subordinated callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

R321 million Investec Bank Limited IV030A locally registered unsecured subordinated callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

42. Subordinated liabilities (continued)

IV031 variable rate subordinated unsecured callable bonds

R500 million Investec Bank Limited IV031 locally registered unsecured subordinated callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month JIBAR plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 11 March 2020.

Variable rate unsecured subordinated debentures

R3 940 million (2012: R1 838 million) Investec Property Fund Limited locally registered unsecured subordinated debentures are due at the 25th anniversary of the date of each allotment and issue of the debentures. Interest payable on the debenture in each linked unit will be at least 999 times the dividend payable on each share. The debentures are redeemable at the instance of the debenture holders (by way of a special resolution) at the 25th anniversary of the date of each allotment and issue of the debentures.

R1 959 million of the subordinated debentures are held by group companies and are therefore eliminated at a group level.

At 31 March	2013	2012
43. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	598 339 612	537 176 089
Issued during the year	6 857 159	61 163 523
At end of year	605 196 771	598 339 612
Nominal value of ordinary shares	£'000	£'000
At beginning of year	120	108
Issued during the year	1	12
At end of year	121	120
Number of special converting shares	Number	Number
At beginning of year	276 020 221	272 836 668
Issued during the year	3 618 943	3 183 553
At end of year	279 639 164	276 020 221
Nominal value of special converting shares	£'000	£'000
At beginning of year	55	54
Issued during the year	1	1
At end of year	56	55
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1

* *Less than £1 000.*

At 31 March	2013	2012

43. Ordinary share capital (continued)

Nominal value of UK DAS share	£'000	£'000
At beginning and end of year	*	*

Number of special voting shares	Number	Number
At beginning and end of year	1	1

Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 268 002 (2012: R1 268 002), comprising 450 000 000 (2012: 450 000 000) ordinary shares of R0.0002 each, 40 000 000 (2012: 40 000 000) Class 'A' variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each, 50 000 (2012: 50 000) variable rate cumulative redeemable preference shares of R0.60 each, 100 000 000 (2012: 100 000 000) non-redeemable non-cumulative non-participating preference shares of R0.01 each, 1 (2012: 1) Dividend Access (South African Resident) redeemable preference share of R1, 1 (2012: 1) Dividend Access (Non-South African Resident) redeemable preference share of R1, 700 000 000 (2012: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares	Number	Number
At beginning of year	276 020 221	272 836 668
Issued during the year	3 618 943	3 183 553
At end of year	279 639 164	276 020 221

Nominal value of ordinary shares	£'000	£'000
At beginning of year	46	46
Issued during the year	*	*
At end of year	46	46

Number of special converting shares	Number	Number
At beginning of year	598 339 612	537 176 089
Issued during the year	6 857 159	61 163 523
At end of year	605 196 771	598 339 612

Nominal value of special converting shares	£'000	£'000
At beginning of year	5	5
Issued during the year	*	*
At end of year	5	5

Number of SA DAN shares	Number	Number
At beginning and end of year	1	1

Nominal value of SA DAN share	£'000	£'000
At beginning and end of year	*	*

* *Less than £1 000.*

At 31 March	2013	2012
43. Ordinary share capital (continued)		
Number of SA DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of SA DAS share	£'000	£'000
At beginning and end of year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited		
Total called up share capital	228	226
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	223	221

* *Less than £1 000.*

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling/Rand exchange rates.

In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees is disclosed in note 7.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

For the year to 31 March	Number 2013	Number 2012
Opening balance	88 500 723	88 017 939
Issued during the year	20 722 276	17 797 428
Exercised	(10 501 585)	(12 956 577)
Lapsed	(3 906 514)	(4 358 067)
Closing balance	94 814 900	88 500 723

The purpose of the staff share scheme is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group's share price.

At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from four to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

The extent of the directors' and staff interest in the incentive schemes is detailed on pages 130, 133 and 134 in volume one.

At 31 March £'000	2013	2012
44. Perpetual preference shares of holding company		
Perpetual preference share capital	153	153
Perpetual preference share premium (refer to note 45)	377 506	384 077
	377 659	384 230
Issued by Investec Limited		
32 214 499 (2012: 28 719 858) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums:		
– Preference share capital	2	2
– Preference share premium	228 057	234 628
Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc		
9 381 149 (2012: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 (2012: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.		
– Preference share capital	57	57
– Preference share premium	49 917	49 917
Preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		

At 31 March £'000	2013	2012
44. Perpetual preference shares of holding company (continued)		
Issued by Investec plc – Rand denominated		
1 859 900 (2012: 1 859 900) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 29 June 2011.		
– Preference share capital	*	*
– Preference share premium	16 601	16 601
416 040 (2012: 416 040) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 11 August 2011.		
– Preference share capital	*	*
– Preference share premium	3 441	3 441
Rand denominated preference shareholders will receive a dividend if declared based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand preference dividend has been declared.		
If declared Rand preference dividends are payable semi-annually at least seven business days prior to the date on which Investec pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	377 659	384 230

* *Less than £1 000.*

At 31 March £'000	2013	2012
45. Share premium		
Share premium account Investec plc	1 259 941	1 258 729
Share premium account Investec Limited	857 171	814 213
Perpetual preference share premium	377 506	384 077
	2 494 618	2 457 019

46. Treasury shares

At 31 March	2013	2012
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	89 545	72 820
	Number	Number
Investec plc ordinary shares held by subsidiaries	10 355 654	7 181 053
Investec Limited ordinary shares held by subsidiaries	19 715 016	16 579 211
Investec plc and Investec Limited shares held by subsidiaries	30 070 670	23 760 264
Reconciliation of treasury shares	Number	Number
At beginning of year	23 760 264	28 108 963
Purchase of own shares by subsidiary companies	16 894 569	22 035 567
Shares disposed of by subsidiaries	(10 584 163)	(26 384 266)
At end of year	30 070 670	23 760 264
Market value of treasury shares:	£'000	£'000
Investec plc	47 532	27 432
Investec Limited	90 492	63 333
	138 024	90 765

At 31 March £'000	2013	2012
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	279 041	291 769
Non-controlling interests in partially held subsidiaries	1 002	4 338
	280 043	296 107
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	169 106	166 762
€200 000 000 (2012: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities (preferred securities) were issued by Investec Tier 1 (UK) LP (a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities which are guaranteed by Investec plc are callable at the option of the issuer subject to the approval of the UK Regulator on the tenth anniversary of the issue and if not called are subject to a step-up in coupon of one and a half times the initial credit spread above the three-month euro-zone interbank offered rate. Until the tenth anniversary of the issue the dividend on the preferred securities will be at 7.075%.		
The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.		
Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
Issued by an Investec Limited subsidiary	109 935	125 007
15 447 630 (2012: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums issued by Investec Bank Limited.		
Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 83.33% of prime on R100 being the deemed value of the issue price of the preference share held.		
Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.		
An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	279 041	291 769

At 31 March £'000	2013 Total future minimum payments	2013 Present value	2012 Total future minimum payments	2012 Present value
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	231 886	183 706	193 553	159 925
One to five years	496 679	412 574	379 151	331 458
Later than five years	10 407	7 756	25 648	19 695
	738 972	604 036	598 352	511 078
Unearned finance income	134 936		87 274	

At 31 March 2013, unguaranteed residual values accruing to the benefit of Investec were £32.7 million (2012: £36.8 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

For the year to 31 March £'000	2013	2012
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	393 631	291 235
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	15 175	24 366
Amortisation of intangible assets	13 313	9 530
Depreciation and impairment of property, equipment and intangibles	46 372	57 424
Impairment of loans and advances	251 012	325 118
Operating income from associates	(3 476)	(1 626)
Dividends received from associates	559	295
Share-based payment charges	63 154	69 796
Profit before taxation adjusted for non-cash items	779 740	776 138
Increase in operating assets		
Loans and advances to banks	(907 574)	(716 343)
Reverse repurchase agreements and cash collateral on securities borrowed	(1 465 460)	1 379 056
Sovereign debt securities	(295 844)	(878 699)
Bank debt securities	977 732	(281 091)
Other debt securities	(101 565)	(124 103)
Derivative financial instruments	(184 034)	(267 628)
Securities arising from trading activities	(323 981)	87 583
Investment portfolio	(130 380)	(103 771)
Loans and advances to customers	(948 196)	(1 219 204)
Securitised assets	273 658	696 188
Other assets	(164 170)	(385 486)
Investment properties	(95 849)	(73 116)
Assurance assets	(743 146)	(651 668)
	(4 108 809)	(2 538 282)

For the year to 31 March £'000	2013	2012
49. Notes to cash flow statement (continued)		
Increase in operating liabilities		
Deposits by banks	152 442	253 259
Derivative financial instruments	104 662	41 706
Other trading liabilities	286 761	(68 121)
Repurchase agreements and cash collateral on securities lent	174 346	395 844
Customer accounts	774 671	2 594 466
Debt securities in issue	(322 127)	160 978
Securitised liabilities	(235 285)	(818 609)
Other liabilities	307 072	181 854
Assurance liabilities	743 146	651 668
	1 985 688	3 393 045

At 31 March £'000	2013	2012
50. Commitments		
Undrawn facilities	2 884 441	2 905 902
Other commitments	18 789	2 070
	2 903 230	2 907 972
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	51 046	45 599
One to five years	201 868	184 022
Later than five years	214 609	224 937
	467 523	454 558
At 31 March 2013, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 13.5% per annum. The majority of the leases have renewal options.		
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	1 128	27 922
One to five years	1 374	15 416
Later than five years	12	–
	2 514	43 338

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The terms of the leases range between three and five years with no annual escalation clauses. The majority of the leases have renewal options.

At 31 March £'000	Carrying amount 2013	Carrying amount 2012	Related liability 2013	Related liability 2012
50. Commitments (continued)				
Pledged assets				
Loans and advances to customers	–	14 868	–	14 026
Other loans and advances to customers	–	292	–	292
Loans and advances to banks	338 556	226 870	339 429	226 870
Sovereign debt securities	376 601	317 776	231 803	317 776
Bank debt securities	116 560	56 601	71 744	56 601
Other debt securities	–	12 520	–	12 520
Securities arising from trading activities	604 517	328 654	610 459	328 654
Investment portfolio	–	690	–	690
Reverse repurchase agreements and cash collateral on securities borrowed	652 628	329 756	545 427	521 697
Financial instruments	–	255 716	–	–
	2 088 862	1 543 743	1 798 862	1 479 126

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March £'000	2013	2012
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	874 238	779 027
	874 238	779 027

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc and Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) as at 31 December of the year preceding the scheme year.

In April 2012 the FSCS agreed revised terms on the loan facilities including a 70bps increase in the interest rate payable to 12-month LIBOR plus 100 bps. This rate will be subject to a floor equal to the HM Treasury's own cost of borrowing. The facilities are expected to be repaid wholly from recoveries from the failed deposit takers, except for an estimated shortfall of £0.8 billion. The FSCS has announced it intends to recover this shortfall by levying the industry in instalments across 2013, 2014 and 2015, in addition to the ongoing interest charges on the outstanding loans.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £6.1 million for its share of levies that will be raised by the FSCS. The accrual is based on estimates of the interest the FSCS will pay on the loan and the level of the bank's market participation in the relevant periods. The bank has also accrued for its estimated share of the principal to be levied over each of the next three years. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

51. Contingent liabilities (continued)

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

Specifically, a claim has been made in the Royal Court of Guernsey against Investec Trust (Guernsey) Limited, a subsidiary of Investec plc, for breach of equitable duty for skill and care with a related claim for liability for the debts of a client trust. The outcome of these claims cannot reasonably be estimated at this time but Investec does not expect the ultimate resolution of the proceedings to have a material adverse effect on the financial position of the group.

For the year to 31 March £'000	2013	2012
52. Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At beginning of year	34 092	21 451
Increase in loans	20 497	26 110
Repayment of loans	(11 126)	(13 469)
At end of year	43 463	34 092
Guarantees		
At beginning of year	367	–
Additional guarantees granted	5 552	367
Guarantees cancelled	(1 162)	–
At end of year	4 757	367
Deposits		
At beginning of year	(46 657)	(49 606)
Increase in deposits	(33 041)	(24 615)
Decrease in deposits	26 154	27 564
At end of year	(53 544)	(46 657)

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

Refer to pages 113 to 136 in volume one relating to remuneration for key management personnel.

For the year to 31 March £'000	2013	2012
52. Related party transactions (continued)		
Transactions with other related parties		
Various members of key management personnel are members of the boards of directors of other companies. At 31 March 2008, Investec Bank Limited group had the following loans outstanding from these related parties	–	251
Amounts due from associates	12 768	14 659
Fees and commission income from associates	169	329

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

53. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages, the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2013						
Assets	Interest rate swap	(41 909)	(42 344)	(19 068)	35 744	12 072
	Cross currency swap	(582)	(582)	29	582	(29)
Liabilities	Interest rate swap	(33 404)	11 881	(16 884)	(12 059)	17 087
	Cross currency swap	(3 081)	(3 081)	179	3 101	7
		(78 976)	(34 126)	(35 744)	27 368	29 137
2012						
Assets	Interest rate swap	26 169	9 269	913	(7 917)	(1 562)
	Cross currency swap	144 205	238 005	(120 106)	(238 005)	120 106
Liabilities	Interest rate swap	(7 845)	(5 863)	135	6 247	546
		162 529	241 411	(119 058)	(239 675)	119 090

53. Hedges (continued)

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and transferred to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are:

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2013			
Assets	Interest rate swap	963	Three months to five years
	Cross currency swap	455	One to five years
Liabilities	Interest rate swap	(24 446)	Three months to five years
		(23 028)	
2012			
Assets	Interest rate swap	4 089	One to five years
	Cross currency swap	51 850	Three months to five years
Liabilities	Interest rate swap	(11 899)	One to five years
		44 040	

There was no ineffective portion recognised in the income statement.

Release to the income statement for cash flow hedges is included in net interest income.

Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Hedging instrument negative fair value
2013	323
2012	10 412

There was no ineffective portion recognised in the income statement in the current year (2012: £780 743).

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month
2013		
Liabilities		
Deposits by banks	402 827	454 771
Derivative financial instruments	1 005 566	19 713
Derivative financial instruments – held for trading	764 983	–
Derivative financial instruments – held for hedging risk	240 583	19 713
Other trading liabilities	851 939	–
Repurchase agreements and cash collateral on securities lent	450 906	661 739
Customer accounts (deposits)	6 734 744	2 691 599
Debt securities in issue	5	59 122
Liabilities arising on securitisation of own originated loans and advances	376	17 386
Liabilities arising on securitisation of other assets	–	11 211
Other liabilities	409 786	867 449
Subordinated liabilities	891	215 421
Total on balance sheet liabilities	9 857 040	4 998 411
Contingent liabilities	255 089	4 262
Commitments	268 354	18 114
Total liabilities	10 380 483	5 020 787
2012		
Liabilities		
Deposits by banks	335 593	529 413
Derivative financial instruments	1 238 681	1 052
Derivative financial instruments – held for trading	1 235 880	–
Derivative financial instruments – held for hedging risk	2 801	1 052
Other trading liabilities	612 884	–
Repurchase agreements and cash collateral on securities lent	633 973	493 389
Customer accounts (deposits)	5 963 715	3 429 096
Debt securities in issue	–	288 979
Liabilities arising on securitisation of own originated loans and advances	1 667	23 758
Liabilities arising on securitisation of other assets	–	20 379
Other liabilities	709 531	269 884
Subordinated liabilities	–	121 525
Total on balance sheet liabilities	9 496 044	5 177 475
Contingent liabilities	137 712	124 387
Commitments	–	60 456
Total liabilities	9 633 756	5 362 318

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows please refer to pages 69 to 71 in volume two.

One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
99 466	793 687	206 201	1 038 873	115 820	3 111 645
53 259	39 930	61 510	293 427	119 319	1 592 724
–	–	–	–	–	764 983
53 259	39 930	61 510	293 427	119 319	827 741
–	–	–	–	–	851 939
1 034	1 850	1 466	778 616	80 277	1 975 888
5 171 969	4 286 253	2 652 714	2 839 586	227 180	24 604 045
208 706	154 151	316 394	1 002 251	483 222	2 223 851
146 991	56 442	160 463	614 989	13 197	1 009 844
120 477	80 147	144 949	1 015 780	1 446 346	2 818 910
209 619	48 311	119 265	180 005	53 933	1 888 368
8 041	12 750	87 341	896 087	1 336 582	2 557 113
6 019 562	5 473 521	3 750 303	8 659 614	3 875 876	42 634 327
140 230	11 224	28 702	374 776	219 963	1 034 246
205 358	110 395	409 299	697 279	1 180 974	2 889 773
6 365 150	5 595 140	4 188 304	9 731 669	5 276 813	46 558 346
441 265	183 661	79 456	1 386 318	80 806	3 036 512
11 949	4 087	19 317	175 517	46 326	1 496 929
–	–	–	–	–	1 235 880
11 949	4 087	19 317	175 517	46 326	261 049
–	–	–	–	–	612 884
–	5 012	–	578 475	167 453	1 878 302
6 130 785	4 343 518	2 346 539	3 183 059	180 061	25 576 773
175 636	123 055	195 856	1 590 277	540 034	2 913 837
132 801	64 061	378 421	723 171	96 913	1 420 792
122 584	61 776	118 074	882 269	1 555 493	2 760 575
273 322	90 201	101 153	90 174	48 175	1 582 440
669	900	13 310	644 544	815 776	1 596 724
7 289 011	4 876 271	3 252 126	9 253 804	3 531 037	42 875 768
59 938	32 609	58 929	560 109	313 351	1 287 035
13 688	22 814	283 377	872 782	1 307 869	2 560 986
7 362 637	4 931 694	3 594 432	10 686 695	5 152 257	46 723 789

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest % 2013	Interest % 2012
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holding Company Limited	Investment holding	England and Wales	100.0%	100.0%
Indirect subsidiaries of Investec plc				
Investec Asset Finance PLC	Leasing company	England and Wales	100.0%	100.0%
Investec Asset Finance & Leasing Pty Ltd (formerly Alliance Equipment Finance Pty Ltd)	Leasing company	Australia	100.0%	–
Investec Asset Management Limited	Asset management	England and Wales	100.0%	100.0%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Australia) Limited	Banking institution	Australia	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Capital & Investments (Ireland) Limited (formerly NCB Stockbrokers Limited)	Financial services	Ireland	100.0%	–
Investec Professional Finance (Pty) Ltd (formerly Investec Experien (Pty) Ltd)	Financial services	Australia	100.0%	100.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) PLC	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Investments (UK) Limited (formerly Guinness Mahon & Co Limited)	Investment holding	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100.0%	100.0%
Investec Trust (Jersey) Limited	Trust company	Jersey	100.0%	100.0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%
Kensington Group plc	Financial services	England and Wales	100.0%	100.0%
Leasedirect Finance plc	Finance broker	England and Wales	100.0%	81.3%
Neontar Limited	Holding company	Ireland	100.0%	–
Reichmans Geneva SA	Trade finance	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
St James's Park Mortgage Funding Limited	Financial services	England and Wales	100.0%	100.0%
Start Funding No 1 Limited	Financial services	Ireland	100.0%	100.0%
Start Funding No 2 Limited	Financial services	Ireland	100.0%	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts.

55. Principal subsidiaries and associated companies – Investec plc (continued)

The company has taken advantage of the exemption under section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Investec plc annual return filed with the Registrar of Companies.

At 31 March	Principal activity	Country of incorporation	Interest % 2013	Interest % 2012
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0%	35.0%

Investec plc has no equity interest in the following special purpose vehicles which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities:

Bedrock CMBS GMBH
Foundation CMBS Limited
Gemgarto 2012-1 plc
Glacier Securities Limited (series 2010-2)
Gresham Capital CLO V BV
Impala Trust No.1 – Sub Series 2
Impala Trust No.1 – Sub Series 2010-1
Impala Trust No.1 – Sub Series 2011-1
Impala Trust No.1 – Sub Series 2012-1
Kensington Mortgage Securities plc
Landmark Mortgage Securities No 1 plc
Landmark Mortgage Securities No 2 plc
Landmark Mortgage Securities No 3 plc
Money Partners Securities 1 plc
Money Partners Securities 2 plc
Money Partners Securities 3 plc
Money Partners Securities 4 plc
Nyala Funding Trust CMBS 2013-1
Nyala Funding Trust No. 1
Residential Mortgage Securities 19 plc
Residential Mortgage Securities 20 plc
Residential Mortgage Securities 21 plc
Residential Mortgage Securities 22 plc
Residential Mortgage Securities 23 plc
Tamarin Securities Limited
Yorker Trust
Zebra Capital II Limited

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest % 2013	Interest % 2012
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Bank Limited	Registered bank	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec International Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities (Pty) Ltd	Registered stock broker	South Africa	100.0%	100.0%
Fedsure International (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	100.0%	100.0%
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100.0%	100.0%
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Fund Managers SA (RF) (Pty) Ltd	Unit trust management	South Africa	100.0%	100.0%
Investec Bank (Mauritius) Limited	Banking institution	Mauritius	100.0%	100.0%
Investec Property Group (Pty) Ltd	Property trading	South Africa	100.0%	100.0%
Reichmans Holdings (Pty) Ltd	Trade financing	South Africa	100.0%	100.0%
Investec Employee Benefits Limited	Long-term Insurance	South Africa	100.0%	100.0%
Investec Assurance Limited	Insurance company	South Africa	100.0%	100.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	50.00%	50.01%
Investec Limited has no equity interest in the following special purpose vehicles, which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities:				
Securitisation entities:				
Private Mortgages 1 (RF) (Pty) Ltd				
Private Mortgages 2 (RF) (Pty) Ltd				
Private Mortgages 3 (Pty) Ltd				
Private Residential Mortgages (RF) Limited				
Private Commercial Mortgages (Pty) Ltd				
Grayston Conduit 1 (RF) Limited				

The following subsidiaries are not consolidated for regulatory purposes:

Investec Assurance Limited
Investec Employee Benefits Holdings (Pty) Ltd and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes.

57. Reclassifications

In the current year, the group has moved the Kensington warehoused assets and liabilities into other loans and advances and deposits by banks respectively. This change arises from simplifying the face of the balance sheet with the relevant information more appropriately detailed in the notes to the financial statements. The change has no impact to the income statement, balance sheet (other than noted below), cash flow statement and equity.

At 31 March £'000	Restated	As previously reported	Changes to previously reported
2012			
Other loans and advances	2 829 189	1 397 477	1 431 712
Warehoused assets – Kensington warehouse funding	–	1 431 712	(1 431 712)
Deposits by banks	2 967 428	2 132 516	834 912
Deposits by banks – Kensington warehouse funding	–	834 912	(834 912)
2011			
Other loans and advances	2 678 349	1 066 168	1 612 181
Warehoused assets – Kensington warehouse funding	–	1 612 181	(1 612 181)
Deposits by banks	2 834 435	1 858 893	975 542
Deposits by banks – Kensington warehouse funding	–	975 542	(975 542)

58. Post balance sheet events

Refer to page 7 of the directors' report for details of events subsequent to the balance sheet date.

Balance sheet

At 31 March £'000	Notes	2013	2012
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 790 348
Current assets			
Amounts owed by group undertakings		569 819	559 549
Tax		5 979	23 753
Other debtors		22	21
Prepayments and accrued income		126	199
Cash at bank and in hand:			
– balances with other banks		726	833
		576 672	584 355
		2 394 512	2 374 703
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		8 814	1 502
– with other banks		128 419	130 532
Amounts owed to group undertakings		754 617	769 033
Other liabilities		768	1 063
Accruals and deferred income		3 950	3 680
		896 568	905 810
Capital and reserves			
Called up share capital	d	177	175
Perpetual preference shares	d	151	151
Share premium account	d	1 130 210	1 107 651
Capital reserve	d	356 292	356 292
Retained income	d	11 114	4 624
Total capital and reserves		1 497 944	1 468 893
Total capital and liabilities		2 394 512	2 374 703

The notes on pages 109 to 110 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 11 June 2013 and signed on its behalf by:

Stephen Koseff
Chief Executive Officer

11 June 2013

Notes to Investec plc parent company accounts

a. Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards, and on a going concern basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments are stated at cost less any impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

Taxation

Corporate tax is provided on taxable profits at the current rate.

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Financial Reporting Standards, is included in the consolidated financial statements of the group.

Financial Instruments: Disclosures

The company has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures prepared in accordance with International Reporting Standards are included in the consolidated financial statements of the group.

Financial liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 52 to the group financial statements. The company has taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are wholly owned members of Investec plc group.

b. Investments in subsidiary undertakings

£'000	2013	2012
At beginning of year	1 790 348	1 584 528
Additions	54 984	381 640
Disposals	(27 492)	(175 820)
At end of year	1 817 840	1 790 348

On 11 June 2012 the company acquired Neontar Limited (the parent company of the NCB Group) and on 30 July 2012 transferred this interest to its wholly owned subsidiary, Investec 1 Limited in exchange for shares. The company's principal subsidiaries and associated companies are set out in note 56 to the group financial statements.

Notes to Investec plc parent company accounts (continued)

c. Bank loans

The company drew down Euro denominated loans of €105 million on 7 March 2011. These loans were extended for 18 months on 14 August 2012 and bear interest at fixed margins above three-month EURIBOR and are repayable on 14 February 2014 .

The company drew down a US Dollar denominated loan of $20 million on 4 September 2012 which bears interest at fixed margins above three-month LIBOR and is repayable on 4 March 2014.

The company drew down a GBP denominated loan of £28.5 million on 28 June 2012 which bears interest at fixed margins above three-month LIBOR and is repayable on 24 December 2013.

d. Statement of changes in shareholders' equity

	Share capital £'000	Perpetual preference shares £'000	Share premium £'000	Capital reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2012	175	151	1 107 651	356 292	4 624	1 468 893
Issue of ordinary shares	2	–	22 559	–	–	22 561
Share-based payment adjustment	–	–	–	–	(1 091)	(1 091)
Profit for the year	–	–	–	–	56 278	56 278
Dividends paid to preference shareholders	–	–	–	–	(3 696)	(3 696)
Dividends paid to ordinary shareholders	–	–	–	–	(45 001)	(45 001)
At 31 March 2013	177	151	1 130 210	356 292	11 114	1 497 944

e. Parent company profit and loss account

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

The company's profit for the year, determined in accordance with the Act, was £56 278 000 (2012: £49 217 000).

f. Audit fees

Details of the company's audit fees are set out in note 6 of the group financial statements.

g. Dividends

Details of the company's dividends are set out in note 10 of the group financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 43 of the group financial statements. Details of the perpetual preference shares are set out in note 44 of the group financial statements.

i. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included in the combined consolidated financial statements of Investec plc and Investec Limited for the year ended 31 March 2013.

The information as detailed here for Investec plc parent company is a summary. For detailed notes refer to the Investec plc group and company annual financial statements.

Income statement

For the year to 31 March R'million	2013	2012
Interest income	74	192
Interest expense	(27)	(25)
Net interest income	**47**	**167**
Fee and commission income	–	–
Investment income	2 224	2 740
Trading income arising from balance sheet management and other trading activities	–	–
Operating income	**2 271**	**2 907**
Operating costs	(76)	(26)
Profit before taxation	**2 195**	**2 881**
Taxation	(1)	(20)
Profit after taxation	**2 194**	**2 861**

Statement of comprehensive income

For the year to 31 March R'million	2013	2012
Profit after taxation	2 194	2 861
Total comprehensive income	**2 194**	**2 861**

Statement of changes in equity

R'million	Share capital	Share premium	Other reserves	Retained income	Total shareholders' equity
At 1 April 2011	1	9 208	62	2 023	11 294
Total comprehensive income	–	–	–	2 861	2 861
Issue of ordinary shares	–	193	–	–	193
Share-based payment adjustments	–	–	–	127	127
Dividends paid to ordinary shareholders	–	–	–	(1 210)	(1 210)
Dividends paid to perpetual preference shareholders	–	–	–	(182)	(182)
At 31 March 2012	1	9 401	62	3 619	13 083
Total comprehensive income	–	–	–	2 194	2 194
Issue of ordinary shares	–	159	–	–	159
Issue of perpetual preference shares	–	303	–	–	303
Share-based payment adjustments	–	–	–	116	116
Dividends paid to ordinary shareholders	–	–	–	(1 425)	(1 425)
Dividends paid to perpetual preference shareholders	–	–	–	(216)	(216)
At 31 March 2013	1	9 863	62	4 288	14 214

Balance sheet

At 31 March R'million	Notes	2013	2012
Assets			
Loans and advances to banks		30	28
Other debt securities		435	–
Investment portfolio		41	41
Other assets		55	149
Investment in subsidiaries	b	14 424	13 568
		14 985	13 786
Liabilities			
Debt securities in issue		400	400
Current taxation liabilities		247	247
Other liabilities		124	56
		771	703
Equity			
Ordinary share capital	c	1	1
Share premium		9 863	9 401
Other reserves		62	62
Retained income		4 288	3 619
Total equity		14 214	13 083
Total liabilities and shareholders' equity		14 985	13 786

Cash flow statement

For the year to 31 March R'million	2013	2012
Cash flows from operating activities		
Cash generated by operating activities	2 311	3 008
Taxation paid	(1)	–
Increase/(decrease) in operating liabilities	68	(3)
Increase in income earning assets	(341)	(91)
Net cash inflow from operating activities	2 037	2 914
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	462	193
Dividends paid	(1 641)	(1 392)
Net increase in subsidiaries and loans to group companies	(856)	(1 714)
Net cash outflow from financing activities	(2 035)	(2 913)
Net increase in cash and cash equivalents	2	1
Cash and cash equivalents at beginning of year	28	27
Cash and cash equivalents at end of year	30	28
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	30	28
Cash and cash equivalents at the end of the year	30	28

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

Notes to Investec Limited parent company accounts

a. Accounting policies

Basis of presentation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and in a manner consistent with the policies disclosed on pages 22 to 30 for the group accounts, except as noted below:

Foreign currencies

The presentational and functional currency for Investec Limited parent company is South African Rand. All foreign currency transactions are initially recorded and translated to the functional currency at the rate applicable at the time of the transaction

Investment in subsidiaries

Investment in subsidiaries are stated at cost less any impairment in value.

b. Investment in subsidiaries

R'million	2013	2012
At beginning of year	13 568	11 854
Net increase in investment in subsidiaries	499	2 442
Increase/(decrease) in loans to subsidiaries	357	(728)
At end of year	14 424	13 568

A list of the company's principal subsidiaries is detailed in note 56 of the group accounts on page 106.

c. The company's called up share capital is detailed in note 43 of the group accounts on pages 89 to 91.

d. The company's perpetual preference shares are detailed in note 44 of the group accounts on page 92 and 93.

The information detailed here for Investec Limited parent company is a summary. For detailed notes refer to the Investec Limited group and company annual financial statements.

Shareholder information

Shareholder analysis

Investec ordinary shares

As at 31 March 2013 Investec plc and Investec Limited had 605.2 million and 279.6 million ordinary shares in issue respectively.

Spread of ordinary shareholders as at 31 March 2013

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
13 527	1 to 500	51.3%	2 340 881	0.4%
4 513	500 – 1 000	17.1%	3 524 226	0.6%
5 464	1 001 – 5 000	20.7%	12 504 667	2.1%
982	5 001 – 10 000	3.7%	7 200 240	1.2%
1 038	10 001 – 50 000	3.9%	24 580 738	4.1%
282	50 001 – 100 000	1.1%	20 101 295	3.3%
584	100 001 and over	2.2%	534 944 724	88.3%
26 390		100.0%	605 196 771	100.0%

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 237	1 to 500	38.9%	746 986	0.3%
1 597	500 – 1 000	19.2%	1 256 147	0.4%
2 018	1 001 – 5 000	24.3%	4 712 812	1.7%
452	5 001 – 10 000	5.4%	3 341 441	1.2%
595	10 001 – 50 000	7.1%	14 263 855	5.1%
150	50 001 – 100 000	1.8%	10 924 095	3.9%
276	100 001 and over	3.3%	244 393 828	87.4%
8 325		100.0%	279 639 164	100.0%

Shareholder classification as at 31 March 2013

	Investec plc number of shares	% holding	Investec Limited number of shares	% holding
Public*	592 664 903	97.9%	252 271 108	90.2%
Non-public	12 531 868	2.1%	27 368 056	9.8%
Non-executive directors of Investec plc/Investec Limited	3 863 253	0.6%	300 825	0.1%
Executive directors of Investec plc/Investec Limited	7 049 470	1.2%	7 352 215	2.6%
Investec staff share schemes	1 619 145	0.3%	19 715 016	7.1%
Total	605 196 771	100.0%	279 639 164	100.0%

* *As per the JSE Listings Requirements.*

Shareholder analysis (continued)

Largest ordinary shareholders as at 31 March 2013

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	Public Investment Corporation (ZA)	84 633 690	14.0%
2	Allan Gray (ZA)	52 346 104	8.6%
3	Coronation Fund Managers (ZA)	45 808 337	7.6%
4	Old Mutual (ZA)	30 972 966	5.1%
5	BlackRock Inc (US & UK)	24 348 318	4.0%
6	Sanlam Group (ZA)	22 277 772	3.7%
7	Legal & General Investment Management (UK)	18 112 607	3.0%
8	Norges Bank Investment Management (Oslo)	17 452 039	2.9%
9	Prudential Group (ZA)	17 337 742	2.9%
10	State Street Corporation (US and UK)	12 247 325	2.0%
		325 536 900	53.8%

The top 10 shareholders account for 53.8% 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.

Investec Limited

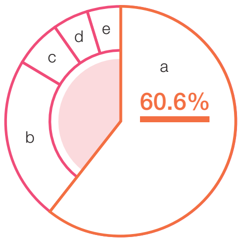
	Shareholder analysis by manager group	Number of shares	% holding
1	Public Investment Corporation (ZA)	35 395 139	12.7%
2	Investec Staff Share Schemes (ZA and UK)	19 715 016	7.1%
3	Old Mutual (ZA)	16 914 448	6.0%
4	Sanlam Group (ZA)	16 366 989	5.9%
5	Allan Gray (ZA)	16 362 919	5.9%
6	BlackRock Inc (US & UK)	12 785 777	4.6%
7	Entrepreneurial Development Trust (ZA)*	11 630 621	4.2%
8	Dimensional Fund Advisers (UK)	9 047 465	3.2%
9	Coronation Fund Managers (ZA)	7 514 791	2.7%
10	Vanguard Group (US)	7 381 064	2.6%
		153 114 229	54.9%

The top 10 shareholders account for 54.9% 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.

* *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.*

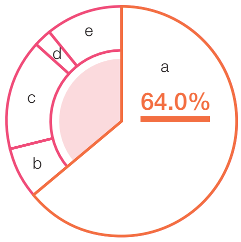
Shareholder analysis (continued)

Geographical holding by beneficial ordinary share owner as at 31 March 2013



Investec plc

a	South Africa	60.6%
b	UK	23.1%
c	USA and Canada	6.7%
d	Rest of Europe	5.1%
e	Other countries and unknown	4.5%



Investec Limited

a	South Africa	64.0%
b	UK	7.3%
c	USA and Canada	15.5%
d	Rest of Europe	2.6%
e	Other countries and unknown	10.6%

Share statistics

Investec plc

For the period ended	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Closing market price per share (Pounds)							
– year-end	4.59	3.82	4.78	5.39	2.92	3.39	6.58
– highest	5.14	5.22	5.50	5.62	4.21	7.65	6.76
– lowest	3.10	3.18	4.29	2.87	1.69	2.94	4.95
Number of ordinary shares in issue (million)[1]	605.2	598.3	537.2	471.1	444.9	423.3	381.6
Market capitalisation (£'million)[1]	2 778	2 286	2 568	2 539	1 299	1 435	2 511
Daily average volume of shares traded ('000)	1 305	1 683	1 634	1 933	2 604	3 926	2 832
Price earnings ratio[2]	12.4	12.0	11.1	12.0	6.9	6.0	12.4
Dividend cover (times)[2]	2.1	1.9	2.5	2.8	3.3	2.3	2.3
Dividend yield (%)[2]	3.9	4.5	3.6	3.0	4.5	7.4	3.5
Earnings yield (%)[2]	8.1	8.3	9.0	8.4	14.5	16.7	8.1

Investec Limited

For the period ended	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Closing market price per share (Rands)							
– year-end	64.26	47.16	52.80	62.49	38.86	57.43	93.3
– highest	69.89	57.36	65.50	65.40	63.19	104.4	94.6
– lowest	41.31	42.00	49.49	37.51	27.20	50.90	59.06
Number of ordinary shares in issue (million)[1]	279.6	276.0	272.8	269.8	268.4	234.3	227.7
Market capitalisation (R'million)[3]	56 857	41 232	42 768	46 299	27 715	37 766	56 848
Market capitalisation (£'million)[3]	4 061	3 340	3 872	3 993	2 083	2 229	4 009
Daily average volumes of share traded ('000)	980	1 033	794	1 068	1 168	841	620

1 *The LSE only include the shares in issue for Investec plc, i.e. 605.2 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

2 *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*

3 *The JSE Limited have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating i.e. a total of 884.8 million shares in issue.*

Investec perpetual preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued perpetual preference shares, the details of which can be found on pages 92 and 95.

Spread of perpetual preference shareholders as at 31 March 2013

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
134	1 to 500	10.8%	36 192	0.2%
153	500 – 1 000	12.4%	124 716	0.8%
661	1 001 – 5 000	53.6%	1 376 510	9.1%
100	5 001 – 10 000	8.1%	748 954	5.0%
127	10 001 – 50 000	10.3%	2 737 512	18.2%
28	50 001 – 100 000	2.3%	2 055 846	13.6%
31	100 001 and over	2.5%	8 001 419	53.1%
1 234		100.0%	15 081 149	100.0%

Investec plc (Rand denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
75	1 to 500	19.8%	23 313	1.0%
94	500 – 1 000	24.9%	74 584	3.3%
163	1 001 – 5 000	43.1%	358 603	15.8%
23	5 001 – 10 000	6.1%	167 231	7.3%
14	10 001 – 50 000	3.7%	297 273	13.1%
3	50 001 – 100 000	0.8%	248 215	10.9%
6	100 001 and over	1.6%	1 106 721	48.6%
378		100.0%	2 275 940	100.0%

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
876	1 to 500	14.6%	290 575	0.9%
1 477	500 – 1 000	24.7%	1 295 942	4.0%
2 673	1 001 – 5 000	44.6%	6 385 778	19.8%
515	5 001 – 10 000	8.6%	3 759 789	11.7%
389	10 001 – 50 000	6.5%	7 112 750	22.1%
20	50 001 – 100 000	0.3%	1 452 754	4.5%
39	100 001 and over	0.7%	11 916 911	37.0%
5 989		100.0%	32 214 499	100.0%

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
911	1 to 500	20.5%	277 732	1.7%
1 337	500 – 1 000	29.9%	1 189 787	7.7%
1 719	1 001 – 5 000	38.5%	4 167 382	27.0%
277	5 001 – 10 000	6.2%	2 048 625	13.3%
189	10 001 – 50 000	4.2%	3 687 023	23.9%
15	50 001 – 100 000	0.3%	1 117 670	7.2%
19	100 001 and over	0.4%	2 959 411	19.2%
4 467		100.0%	15 447 630	100.0%

Largest perpetual preference shareholders as at 31 March 2013

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc

Chase Nominees Limited (Artemis)	10.6%

Investec plc (Rand denominated)

NES Investments (Pty) Ltd	5.3%
Liberty Active Investment	6.5%
Regent Insurance Company Limited	6.6%
TE Return FNB Pension Fund	7.9%
Cadiz Absolute Yield Fund	17.6%

There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Limited and Investec Bank Limited, as at 31 March 2013.

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Notes

Definitions

Adjusted shareholders' equity

Refer to calculation on page 48 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Refer to calculation on page 29 in volume two

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, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to pages 49

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to pages 49

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating 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 47 in volume one

Non-operating items

Reflects profits and/or losses on termination or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 48 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 48 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 94 in volume two

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 & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 49