Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Investec Bank Limited
salient financial information
for the six months ended 30|09|11

Contents

01 Overview

02 Financial results

03 Risk management and capital information

01

Overview

Overview of the Investec group

Who we are

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

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

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

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

Mission statement

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

What we do

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

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

Values

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

Distinctive performance

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

Dedicated partnership

Client focus

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

Cast-iron integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

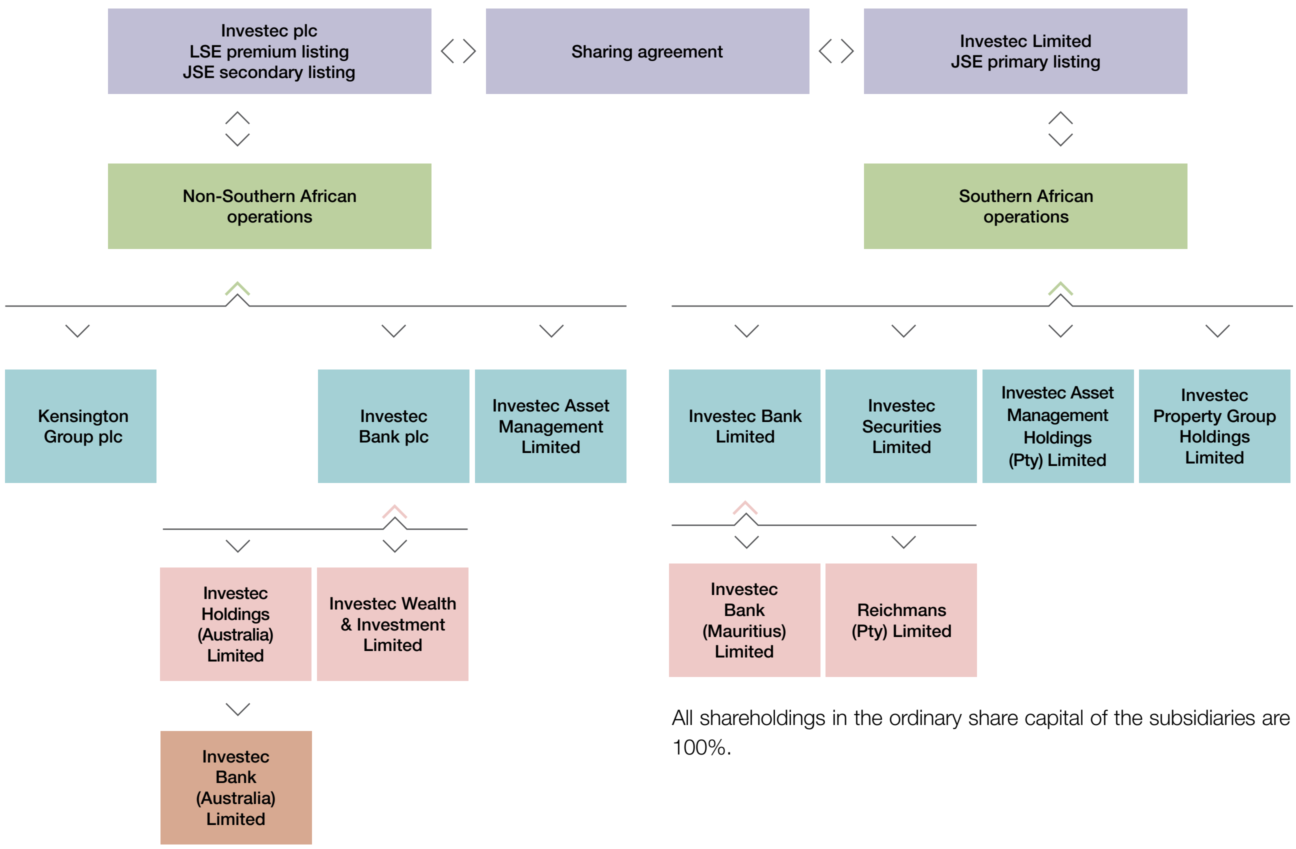
- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

Overview of Investec's and Investec Bank Limited's organisational 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.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

Our DLC structure and main operating subsidiaries as at 30 September 2011



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

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

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.

Overview of the activities of Investec Bank Limited

Introduction

The bank's structure comprises three principal business units: Private Banking, Investment Banking and Capital Markets. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions including risk management, information technology, finance, investor relations, marketing, human resources and organisational development. The head office is also responsible for our central funding as well as other activities such as trade finance.

Private Banking

Investec Private Bank positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Private Banking focuses on the following activities:

Banking

We deliver a number of personal savings, transactional activities and mortgage services for individuals, as well as cash management and treasury products for businesses.

Growth and acquisition finance

We focus on providing mezzanine or composite debt funding and minority equity investment to assist entrepreneurs, management teams and private equity houses to implement acquisition and organic growth strategies in mid-market companies.

Specialised lending

We are specialists in providing structured debt solutions for high net worth individuals with complex borrowing requirements.

Structured property finance

We play an integral role in the financing of property acquisitions and development transactions for our commercial and residential clients through delivery of senior debt, mezzanine and equity funding structures.

Trust and fiduciary

Our Trust and Fiduciary business focuses on the delivery and administration of appropriate financial structures which hold financial and non-financial assets for our clients.

Investment Banking

The Investment Banking division engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client centric approach.

Our activities include: corporate finance and principal investments. Our institutional stockbroking activities are conducted outside of the bank in Investec Securities Limited.

Our target market includes: listed and unlisted companies, fund managers, government and parastatals.

Corporate Finance

The Corporate Finance division focuses on the following activities:

- Financial advisory
  - M&A including disposals
  - Corporate and balance sheet restructuring
  - Privatisation
  - Corporate BEE transactions (partner selection, structuring, full negotiation, debt raising)
  - Fair and reasonable opinions.
- Equity capital markets
  - Primary listings (primary capital raisings) and inward listings
  - Secondary issues (rights offers/vendor placings/issues for cash)
  - Share buy-backs.
- Sponsor services
  - JSE/Securities Regulation Panel liaison and compliance.

Principal Investments

We invest in businesses using our balance sheet and apply a buy, build and grow strategy to deliver superior, sustainable returns through a combination of insightful investing, strategic participation and long-term trusted partnerships.

We invest directly into private companies or work as a specialist team to buy out public companies.

We back management teams through building trusted partnerships focusing on organic growth combined with bolt-on acquisitions to help build considerable, sustainable businesses, fund new technologies, expand working capital, make acquisitions and strengthen balance sheets.

Capital Markets

The Capital Markets division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

We focus on the following activities:

Asset and liability management (Treasury)

Central Treasury provides funding to the bank and manages liquidity and interest rate risk for the bank.

Treasury sales and structuring

This unit focuses on four principal areas of sales: interest rates, foreign exchange, commodities and money markets. Our sales activities are centred around a select target client base offering solutions for their short-term operational requirements as well as their long-term strategic requirements. Our activities include all associated areas of hedging, advisory, short-term lending, long-term lending overlays, deposit-taking, structured investment products, general risk management, related regulation and compliance. We also play an integral role in the associated transactional services and offshore needs of these clients.

Interest rate trading

We are involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and public sector bonds, interest rate options and repurchase agreements aimed at solutions for corporate, institutional and public sector clients.

Currency and derivatives trading

We are participants in the spot, forward exchange, currency swaps and currency derivatives markets, principally in Rand and G7 currencies and certain emerging market currencies.

Financial products

We are involved in financial engineering, preference share investments and structures, credit derivatives and the development of investment products for the retail and institutional market.

Structured and asset finance

This area focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes and financing solutions for corporate, government and public sector clients.

Resource and infrastructure finance

We provide advisory services; debt arranging and underwriting; and equity raising in the infrastructure, power and industrial sectors with a focus on healthcare, telecoms, defence projects, transport and power. We offer advisory services; debt arranging and underwriting; and equity raising in the mining resources industry together with structured hedging solutions.

Group Services and Other Activities

Group Services includes the central services and central funding functions, while Other Activities predominantly includes the International Trade Finance business.

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations.

While these services do not form part of the operating divisions, we have a policy in place whereby a portion of these costs are allocated to the divisions.

Our principal central services, relating to the operations and control of our business, are Risk Management, Information Technology, Finance, Investor Relations, Marketing and Organisation Development. Other group support services include: head office, internal audit and compliance, legal, company secretarial, tax, information and business intelligence centre, regulatory and facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Other Activities

Other Activities include those operations that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

International Trade Finance

We acquired our International Trade Finance business, ReichmansCapital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

Commentary on results and salient information

Investec Bank Limited posted an increase in headline earnings attributable to ordinary shareholders of 10.7% to R951 million (2010: R859 million).

The balance sheet remains strong with a capital adequacy ratio of 15.7% (31 March 2011: 15.6%).

Salient features	6 months to 30 Sept 2011	6 months to 30 Sept 2010	% change	Year to 31 March 2011
Operating income (R'million)	3 185	2 964	7.5%	6 447
Operating expenses (R'million)	1 667	1 504	10.8%	3 181
Operating profit before taxation and headline adjustments (R'million)	1 161	1 087	6.8%	2 414
Headline earnings attributable to ordinary shareholders (R'million)	951	859	10.7%	2 191
Cost to income ratio	52.3%	50.7%	–	49.3%
Total capital resources (including subordinated liabilities) (R'million)	26 911	24 601	9.4%	25 703
Total equity (R'million)	20 045	17 735	13.0%	18 837
Total assets (R'million)	251 673	213 154	18.1%	221 562
Net core loans and advances (R'million)	120 189	113 866	5.6%	115 373
Customer accounts (deposits) (R'million)	172 079	151 222	13.8%	154 772
Cash and near cash balances (R'million)	62 186	56 332	10.4%	52 591
Capital adequacy ratio	15.7%	16.2%	–	15.6%
Tier 1 ratio	11.8%	11.7%	–	11.5%
Default loans (net of impairments) as a % of net core loans and advances	3.32%	3.88%	–	4.13%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–
Annualised credit loss ratio (i.e. income statement charge as a % of average loans and advances)	0.59%	0.65%	–	0.74%
Total gearing/leverage ratio (i.e. total assets excluding intergroup loans to equity)	12.3x	11.7x	–	11.4x
Core loans (excluding own originated securitised assets) as a % of customer deposits	68.6%	74.4%	–	73.9%

Business unit review

Unless the context indicates otherwise, all comparatives referred to below relate to the six months ended 30 September 2010. Operating profit is before taxation and headline adjustments.

Salient operational features of the period under review include:

- Private Banking operating profit increased by 8.4% to R180 million (2010: R166 million) supported by growth in the loan portfolio and improved margins. Since 31 March 2011 the private client core lending book grew by 6.6% from R83.0 billion to R88.4 billion and the deposit book grew by 6.9% from R56.1 billion to R59.9 billion
- Investment Banking operating profit declined by 71.7% to R119 million (2010: R421 million). Weaker economic and trading conditions have negatively impacted the timing of realisations, dividends received and the performance of the listed principal investment portfolio. The Corporate Finance division has performed well posting a strong increase in net fees and commissions earned
- Capital Markets operating profit increased by 43.8% to R627 million (2010: R436 million) benefiting from a strong deal pipeline and improved margins. The bank continued to hold significant surplus liquidity and remains a net provider of liquidity to the South African interbank market
- Group Services and Other Activities operating profit increased significantly from R64 million to R235 million largely as a result of an improved performance from investments held within the Central Funding portfolio and a reduced required central provision.

02

Condensed consolidated interim financial statements for the six months to 30 September 2011

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet at 30 September 2011, and the related consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the period then ended, and selected notes to the condensed consolidated interim financial statements, in accordance with International Financial Reporting Standards applicable to interim financial reporting and in the manner required by the Companies Act 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 22 November 2011 and are signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Independent auditors' review report to the members of Investec Bank Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investec Bank Limited, which comprise the consolidated balance sheet as at 30 September 2011, and the related consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes on pages 12 to 16. Our responsibility is to express a conclusion on this interim information based on our review.

Directors' responsibility

The company's directors are responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and in the manner required by the Companies Act of South Africa, 2008.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and in the manner required by the Companies Act of South Africa, 2008.

Ernst & Young Inc
Registered Auditor

Ernst & Young Inc

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director
22 November 2011

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

KPMG Inc
Registered Auditor

KPMG Inc.

Per Gavin de Lange
Chartered Accountant (SA)
Registered Auditor
Director
22 November 2011

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Consolidated income statement

R'million	Reviewed 6 months to 30 Sept 2011	Reviewed 6 months to 30 Sept 2010	Audited Year to 31 March 2011
Interest income	8 003	7 878	14 932
Interest expense	(5 759)	(5 953)	(11 062)
Net interest income	2 244	1 925	3 870
Fee and commission income	639	374	948
Fee and commission expense	(14)	(47)	(39)
Principal transactions	316	729	1 670
Operating loss from associates	–	(17)	(17)
Other operating income	–	–	15
Other income	941	1 039	2 577
Total operating income before impairment losses on loans and advances	3 185	2 964	6 447
Impairment losses on loans and advances	(357)	(373)	(852)
Operating income	2 828	2 591	5 595
Operating costs	(1 667)	(1 504)	(3 181)
Profit before taxation	1 161	1 087	2 414
Taxation	(157)	(192)	(132)
Profit after taxation	1 004	895	2 282
Loss attributable to non-controlling interests	–	–	4
Earnings attributable to shareholders	1 004	895	2 286

Consolidated statement of total comprehensive income

R'million	Reviewed 6 months to 30 Sept 2011	Reviewed 6 months to 30 Sept 2010	Audited Year to 31 March 2011
Profit after taxation	1 004	895	2 282
Cash flow hedge movements taken directly to other comprehensive income*	(335)	(4)	82
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(18)	–	23
Foreign currency adjustments on translating foreign operations	341	(85)	(128)
Total comprehensive income	992	806	2 259
Total comprehensive loss attributable to non-controlling interests	–	–	(4)
Total comprehensive income attributable to ordinary shareholders	992	806	2 263
Total comprehensive income	992	806	2 259

* *Net of taxation of (R137 million) [Six months to 30 Sept 2010: (R1 million), year to 31 March 2011: R41 million].*

Consolidated balance sheet

R'million	Reviewed 30 Sept 2011	Audited 31 March 2011	Reviewed 30 Sept 2010*
Assets			
Cash and balances at central banks	6 932	6 813	3 770
Loans and advances to banks	12 641	4 918	9 514
Cash equivalent advances to customers	5 025	5 829	5 805
Reverse repurchase agreements and cash collateral on securities borrowed	5 501	8 157	3 761
Trading securities	50 691	44 352	47 948
Derivative financial instruments	18 917	11 487	11 279
Investment securities	22 622	14 214	7 339
Loans and advances to customers	118 723	115 223	113 719
Securitised assets	3 473	2 176	3 287
Interest in associated undertakings	89	135	128
Deferred taxation assets	40	42	21
Other assets	1 362	981	808
Property and equipment	287	286	170
Investment properties	5	5	5
Intangible assets	110	108	100
Loans to group companies	5 255	6 836	5 500
	251 673	221 562	213 154
Liabilities			
Deposits by banks	9 399	10 956	11 845
Derivative financial instruments	18 224	10 495	10 383
Other trading liabilities	398	389	303
Repurchase agreements and cash collateral on securities lent	15 635	10 733	6 202
Customer accounts (deposits)	172 079	154 772	151 222
Debt securities in issue	1 827	2 489	2 729
Liabilities arising on securitisation	3 628	2 174	2 336
Current taxation liabilities	1 074	1 024	787
Deferred taxation liabilities	437	349	654
Other liabilities	2 061	2 478	2 092
	224 762	195 859	188 553
Subordinated liabilities	6 866	6 866	6 866
	231 628	202 725	195 419
Equity			
Ordinary share capital	28	27	26
Share premium	12 793	11 845	11 645
Other reserves	(83)	(100)	(152)
Retained income	7 307	7 065	6 212
Shareholders' equity excluding non-controlling interests	20 045	18 837	17 731
Non-controlling interests	–	–	4
Total equity	20 045	18 837	17 735
Total liabilities and equity	251 673	221 562	213 154

* *As restated for reclassifications detailed in the notes to the interim financial statements.*

Condensed consolidated statement of changes in equity

R'million	Reviewed 6 months to 30 Sept 2011	Audited Year to 31 March 2011	Reviewed 6 months to 30 Sept 2010
Balance at the beginning of the period	18 837	16 454	16 454
Profit after taxation	1 004	2 282	895
Cash flow hedge movements taken directly to other comprehensive income	(335)	82	(4)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(18)	23	–
Foreign currency adjustments on translating foreign operations	341	(128)	(85)
Total comprehensive income for the period	992	2 259	806
Issue of ordinary shares	949	1 300	1 099
Issue of perpetual preference shares	–	17	17
Dividends paid to ordinary shareholders	(680)	(1 073)	(580)
Dividends paid to perpetual preference shareholders	(53)	(120)	(61)
Balance at the end of the period	20 045	18 837	17 735

Condensed consolidated cash flow statement

R'million	Reviewed 6 months to 30 Sept 2011	Audited Year to 31 March 2011	Reviewed 6 months to 30 Sept 2011
Net cash inflow from operating activities	1 395	2 492	553
Net cash outflow from investing activities	(4)	(226)	(59)
Net cash inflow from financing activities	216	1 649	2 000
Effects of exchange rates on cash and cash equivalents	213	(21)	(32)
Net increase in cash and cash equivalents	1 820	3 894	2 462
Cash and cash equivalents at the beginning of the period	14 468	10 574	10 574
Cash and cash equivalents at the end of the period	16 288	14 468	13 036

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

Notes to the interim financial statements

1.1 Accounting policies and disclosures

The interim condensed consolidated financial results of Investec Bank Limited (the bank) for the six months to 30 September 2011 comprises the bank and its subsidiaries (the group).

These reviewed interim condensed consolidated financial results have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the AC500 Standards as issued by the Accounting Practices Board and the Companies Act 71 of 2008.

The accounting policies applied in the preparation of the results for the period ended 30 September 2011 are consistent with those adopted in the financial statements for the year ended 31 March 2011. The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance director.

1.2 Restatements and presentation of information

Redeemable preference shares

At 31 March 2011 the group disclosed a restatement to the balance sheet to present redeemable preference share liabilities as a component of debt securities in issue rather than other liabilities. The impact of this presentational amendment to 30 September 2010 and 30 September 2009 is noted below:

30 Sept 2010 R'million	Restated	As previously reported	Changes to previously reported
Debt securities in issue	2 729	1 574	1 155
Other liabilities	2 092	3 247	(1 155)

30 Sept 2009 R'million	Restated	As previously reported	Changes to previously reported
Debt securities in issue	2 326	1 122	1 204
Other liabilities	2 526	3 730	(1 204)

The above changes have no impact to the income statement, balance sheet (other than as noted above) or cash flow statement.

2.1 Segmental information – business analysis

Reviewed For the 6 months to 30 September 2011 R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
Net interest income	1 116	51	697	380	2 244
Fee and commission income	198	90	343	8	639
Fee and commission expense	(10)	21	(16)	(9)	(14)
Principal transactions	(19)	35	289	11	316
Operating loss from associates	–	–	–	–	–
Other operating income	–	–	–	–	–
Other income	169	146	616	10	941
Total operating income before impairment losses on loans and advances	1 285	197	1 313	390	3 185
Impairment losses on loans and advances	(391)	16	(93)	111	(357)
Operating income	894	213	1 220	501	2 828
Operating costs	(714)	(94)	(593)	(266)	(1 667)
Profit before taxation	180	119	627	235	1 161
Cost to income ratio	55.6%	47.7%	45.2%	68.2%	52.3%
Total assets (excluding intergroup)	91 423	5 890	144 181	4 924	246 418

Reviewed For the 6 months to 30 September 2010 R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
Net interest income	960	7	531	427	1 925
Fee and commission income	159	52	174	(11)	374
Fee and commission expense	(6)	(8)	(33)	–	(47)
Principal transactions	53	466	277	(67)	729
Operating loss from associates	–	–	–	(17)	(17)
Other operating income	–	–	–	–	–
Other income	206	510	418	(95)	1 039
Total operating income before impairment losses on loans and advances	1 166	517	949	332	2 964
Impairment losses on loans and advances	(312)	2	(5)	(58)	(373)
Operating income	854	519	944	274	2 591
Operating costs	(688)	(98)	(508)	(210)	(1 504)
Profit before taxation	166	421	436	64	1 087
Cost to income ratio	59.0%	19.0%	53.5%	63.3%	50.7%
Total assets (excluding intergroup)	82 913	4 719	114 571	5 451	207 654

2.2 Segmental analysis of operating profit before non-operating items and taxation

Reviewed R'million	6 months to 30 Sept 2011	6 months to 30 Sept 2010	% change
Private Banking	180	166	8.4%
Investment Banking			
Corporate Finance	55	21	>100.0%
Principal Investments	64	400	(84.0%)
	119	421	(71.7%)
Capital Markets	627	436	43.8%
Group Services and Other Activities			
International Trade Finance	44	34	29.4%
Central Funding	395	205	92.7%
Central Services Costs	(204)	(175)	(16.6%)
	235	64	>100.0%
Total	1 161	1 087	6.8%

2.3 Calculation of headline earnings

R'million	Reviewed 6 months to 30 Sept 2011	Reviewed 6 months to 30 Sept 2010	Audited Year to 31 March 2011
Earnings attributable to shareholders	1 004	895	2 286
Preference dividends paid	(53)	(61)	(120)
Earnings attributable to ordinary shareholders	951	834	2 166
Headline adjustments:			
Impairment of associate	–	25	25
Headline earnings attributable to ordinary shareholders	951	859	2 191

03

Risk management

Risk management

As per Basel II regulations, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our Annual Financial Statements for the year ended 31 March 2011.

Philosophy and approach

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

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

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

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

Executive summary of the period in review from a risk perspective

Investec has continued to maintain a sound balance sheet with low leverage, and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised economic value added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. The annualised credit loss ratio decreased from 0.74% at 31 March 2011 to 0.59%
- Limited exposure to rated and unrated structured credit investments; representing 1.3% of total assets
- A low leverage (gearing) ratio of 12.3 times
- Low equity (investment) risk exposure; within total investments comprising 2.9% of total assets
- Modest proprietary market risk within our trading portfolio; value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.2% of total operating income
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately R60 billion, within our range of 25% to 35% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- A continued increase in retail customer deposits and a growing retail franchise
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy.
- Operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Salient features

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

	30 Sept 2011	31 March 2011
Net core loans and advances (million)	R120 189	R115 373
Gross defaults as a % of gross core loans and advances	4.46%	5.26%
Defaults (net of impairments) as a % of net core loans and advances	3.32%	4.13%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Annualised credit loss ratio*	0.59%	0.74%
Structured credit investments as a % of total assets	1.29%	1.39%
Banking book investment and equity risk exposures as a % of total assets	2.95%	3.12%
Traded market risk: one-day value at risk (million)	R5.3	R1.7
Cash and near cash (million)	R62 186	R52 591
Customer accounts (deposits) (million)	R172 079	R154 772
Core loans to equity ratio	6.0 x	6.2x
Total gearing/leverage ratio**	12.3x	11.4x
Core loans (excluding own originated assets which have been securitised) to customer deposits	68.6%	73.9%
Capital adequacy ratio	15.7%	15.6%
Tier 1 ratio	11.8%	11.5%

* *Income statement impairment charge on loans as a percentage of average advances.*

** *Total assets excluding integroup loans to total equity.*

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 management

Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off-balance sheet.

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

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

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

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

Credit and counterparty risk information

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

An analysis of gross credit and counterparty exposures

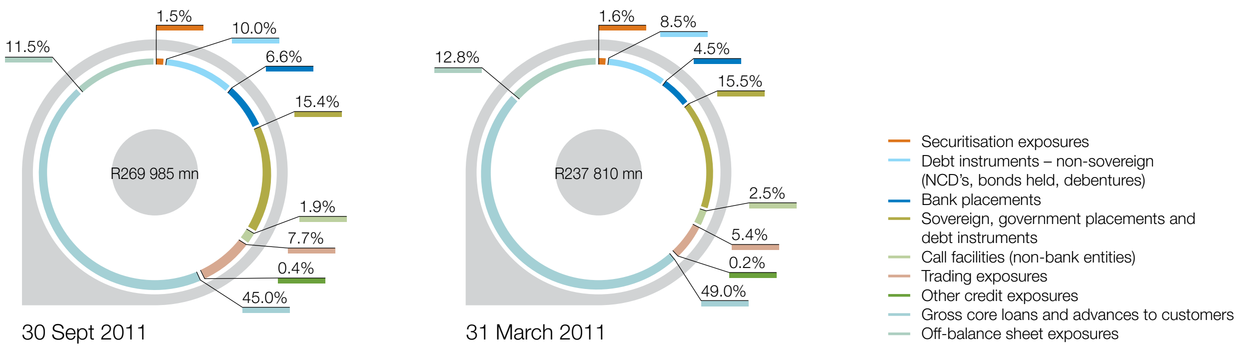
R'million	30 Sept 2011	31 March 2011	% change	Average*
On-balance sheet exposures	238 897	207 489	15.1%	223 196
Securitisation exposures arising from securitisation/ principal finance activities	4 025	3 930	2.4%	3 978
Rated instruments	3 078	2 774	11.0%	2 926
Unrated instruments	157	296	(47.0%)	227
Other	790	860	(8.1%)	825
Debt instruments – non sovereign (NCDs, bonds held, debentures)	26 879	20 318	32.3%	23 599
Bank placements	17 938	10 703	67.6%	14 321
Sovereign, government placements and debt instruments	41 652	36 778	13.3%	39 215
Call facilities (non-bank entities)	5 016	5 829	(13.9%)	5 423
Trading exposures (positive fair value excluding potential future exposures)	20 670	12 728	62.4%	16 699
Other credit exposures	1 095	448	144.4%	772
Gross core loans and advances to customers**	121 622	116 755	4.2%	119 189
Off-balance sheet exposures	31 088	30 321	2.5%	30 705
Guarantees^	7 372	6 304	16.9%	6 838
Contingent liabilities, committed facilities, other	23 716	24 017	(1.3%)	23 867
Total gross credit and counterparty exposures pre collateral or other credit enhancements	269 985	237 810	13.5%	253 901

* *Where the average is based on a straight line average for the period 1 April 2011 to 30 September 2011.*

** *As calculated on page 27.*

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures



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.

R'million	Securitisation exposures arising from securitisation/principal finance activities: Total	Rated instruments	Unrated instruments	Other	Debt instruments non sovereign (NCDs, bonds held, debentures)
As at 30 September 2011					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	405
Trading securities	296	249	47	–	11 205
Derivative financial instruments	–	–	–	–	–
Investment securities	2 939	2 829	110	–	15 269
Loans and advances to customers	790	–	–	790	–
Securitised assets	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	–
Interest in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment properties	–	–	–	–	–
Intangible assets	–	–	–	–	–
Intergroup	–	–	–	–	–
Total	4 025	3 078	157	790	26 879
As at 31 March 2011					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	1 149
Trading securities	125	75	50	–	10 971
Derivative financial instruments	–	–	–	–	–
Investment securities	2 945	2 699	246	–	8 198
Loans and advances to customers	860	–	–	860	–
Securitised assets	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	–
Interest in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment properties	–	–	–	–	–
Intangible assets	–	–	–	–	–
Intergroup	–	–	–	–	–
Total	3 930	2 774	296	860	20 318

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 37 and 38.*
2. *Largely relates to impairments.*
3. *Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures to the bank.*

	Bank placements	Sovereign, government placements and debt instruments	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
	–	6 932	–	–	–	–	6 932	–		6 932
	12 420	–	–	221	–	–	12 641	–		12 641
	–	–	5 016	–	9	–	5 025	–		5 025
	3 829	230	–	1 037	–	–	5 501	–		5 501
	1 689	30 880	–	575	–	–	44 645	6 046	1	50 691
	–	–	–	18 429	–	–	18 429	488	1	18 917
	–	3 610	–	–	799	–	22 617	5		22 622
	–	–	–	–	–	119 418	120 208	(1 485)	2	118 723
	–	–	–	–	–	2 204	2 204	1 269	3	3 473
	–	–	–	–	–	–	–	40		40
	–	–	–	408	287	–	695	667		1 362
	–	–	–	–	–	–	–	89		89
	–	–	–	–	–	–	–	287		287
	–	–	–	–	–	–	–	5		5
	–	–	–	–	–	–	–	110		110
	–	–	–	–	–	–	–	5 255		5 255
	17 938	41 652	5 016	20 670	1 095	121 622	238 897	12 776		251 673
	46	6 767	–	–	–	–	6 813	–		6 813
	4 702	–	–	216	–	–	4 918	–		4 918
	–	–	5 829	–	–	–	5 829	–		5 829
	5 955	424	–	629	–	–	8 157	–		8 157
	–	26 846	–	623	–	–	38 565	5 787	1	44 352
	–	–	–	10 983	–	–	10 983	504	1	11 487
	–	2 741	–	–	325		14 209	5		14 214
	–	–	–	–	–	115 818	116 678	(1 455)	2	115 223
	–	–	–	–	–	937	937	1 239	3	2 176
	–	–	–	–		–	–	42		42
		–	–	277	123	–	400	581		981
	–	–	–	–	–	–	–	135		135
	–	–	–	–	–	–	–	286		286
	–	–	–	–	–	–	–	5		5
	–	–	–	–	–	–	–	108		108
	–	–	–	–	–	–	–	6 836		6 836
	10 703	36 778	5 829	12 728	448	116 755	207 489	14 073		221 562

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services
As at 30 September 2011				
On-balance sheet exposures	90 439	390	1 260	42 881
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–
Rated instruments	–	–	–	–
Unrated instruments	–	–	–	–
Other	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	–	–
Bank placements	–	–	–	–
Sovereign, government placements and debt instruments	–	–	–	41 652
Call facilities (non-bank entities)	–	101	–	–
Trading exposures (positive fair value excluding potential future exposures)	–	14	163	356
Other credit exposures	801	–	–	–
Gross core loans and advances to customers	89 638*	275	1 097	873
Off-balance sheet exposures	22 375	–	35	1
Guarantees	4 088	–	16	1
Contingent liabilities, committed facilities, other	18 287	–	19	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	112 814	390	1 295	42 882
As at 31 March 2011				
On-balance sheet exposures	84 465	611	1 075	37 577
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–
Rated instruments	–	–	–	–
Unrated instruments	–	–	–	–
Other	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	–	–
Bank placements	–	–	–	–
Sovereign, government placements and debt instruments	–	–	–	36 778
Call facilities (non-bank entities)	–	101	–	–
Trading exposures (positive fair value excluding potential future exposures)	91	1	166	–
Other credit exposures	325	–	–	–
Gross core loans and advances to customers	84 049*	509	909	799
Off-balance sheet exposures	22 475	100	17	–
Guarantees	4 073	–	17	–
Contingent liabilities, committed facilities, other	18 402	100	–	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	106 940	711	1 092	37 577

* *A further analysis of our Private Banking loan book is provided on page 33.*

Business services	Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
2 054	76 183	4 047	6 903	2 051	6 587	1 768	4 334	238 897
–	4 025	–	–	–	–	–	–	4 025
–	3 078	–	–	–	–	–	–	3 078
–	157	–	–	–	–	–	–	157
–	790	–	–	–	–	–	–	790
–	26 879	–	–	–	–	–	–	26 879
–	17 938	–	–	–	–	–	–	17 938
–	–	–	–	–	–	–	–	41 652
115	977	1 459	1 470	–	526	–	368	5 016
101	17 126	516	299	1 598	336	4	157	20 670
–	221	–	–	11	–	62	–	1 095
1 838	9 017	2 072	5 134	442	5 725	1 702	3 809	121 622
504	3 481	302	446	329	2 613	263	739	31 088
27	1 965	21	250	45	946	7	6	7 372
477	1 516	281	196	284	1 667	256	733	23 716
2 558	79 664	4 349	7 349	2 380	9 200	2 031	5 073	269 985
1 973	57 995	3 913	7 632	4 275	2 007	1 921	4 045	207 489
–	3 930	–	–	–	–	–	–	3 930
–	2 774	–	–	–	–	–	–	2 774
–	296	–	–	–	–	–	–	296
–	860	–	–	–	–	–	–	860
–	20 318	–	–	–	–	–	–	20 318
–	10 703	–	–	–	–	–	–	10 703
–	–	–	–	–	–	–	–	36 778
326	1 680	1 632	1 689	–	244	–	157	5 829
68	10 611	498	66	954	35	28	210	12 728
15	49	9	18	7	17	8	–	448
1 564	10 704	1 774	5 859	3 314	1 711	1 885	3 678	116 755
138	3 879	74	437	103	2 331	158	609	30 321
62	958	3	220	68	891	7	5	6 304
76	2 921	71	217	35	1 440	151	604	24 017
2 111	61 874	3 987	8 069	4 378	4 338	2 079	4 654	237 810

Summary analysis of gross credit and counterparty exposures by industry

R'million	Gross core loans and advances 30 Sept 2011	Gross core loans and advances 31 March 2011	Other credit and counterparty exposures 30 Sept 2011	Other credit and counterparty exposures 31 March 2011	Total 30 Sept 2011	Total 31 March 2011
HNW and professional individuals	89 638	84 049	23 176	22 891	112 814	106 940
Agriculture	275	509	115	202	390	711
Electricity, gas and water (utility services)	1 097	909	198	183	1 295	1 092
Public and non-business services	873	799	42 009	36 778	42 882	37 577
Business service	1 838	1 564	720	547	2 558	2 111
Finance and insurance	9 017	10 704	70 647	51 170	79 664	61 874
Retailers and wholesalers	2 072	1 774	2 277	2 213	4 349	3 987
Manufacturing and commerce	5 134	5 859	2 215	2 210	7 349	8 069
Real estate	442	3 314	1 938	1 064	2 380	4 378
Mining and resources	5 725	1 711	3 475	2 627	9 200	4 338
Leisure, entertainment and tourism	1 702	1 885	329	194	2 031	2 079
Transport and communication	3 809	3 678	1 264	976	5 073	4 654
Total	121 622	116 755	148 363	121 055	269 985	237 810

Gross credit and counterparty exposures by residual contractual maturity

R'million	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	>10 years	Total
As at 30 September 2011							
On-balance sheet exposures	53 368	20 450	36 686	71 789	26 951	29 653	238 897
Securitisation exposures arising from securitisation/principal finance activities	–	2	–	3 902	20	101	4 025
Rated instruments	–	–	–	3 078	–	–	3 078
Unrated instruments	–	2	–	34	20	101	157
Other	–	–	–	790	–	–	790
Debt instruments – non sovereign (NCDs, bonds held, debentures)	1 055	3 108	7 605	8 648	6 463	–	26 879
Bank placements	15 019	504	1 166	1 249	–	–	17 938
Sovereign, government placements and debt instruments	15 925	10 892	10 923	2 913	744	255	41 652
Call facilities (non-bank entities)	5 016	–	–	–	–	–	5 016
Trading exposures (positive fair value excluding potential future exposures)	2 659	1 538	2 773	8 150	4 324	1 226	20 670
Other credit exposures	293	–	–	802	–	–	1 095
Gross core loans and advances to customers	13 401	4 406	14 219	46 125	15 400	28 071	121 622
Off–balance sheet exposures	21 858	1 244	3 471	3 760	694	61	31 088
Guarantees	1 999	616	3 330	1 140	287	–	7 372
Contingent liabilities, committed facilities and other	19 859	628	141	2 620	407	61	23 716
Total gross credit and counterparty exposures pre collateral or other credit enhancements	75 226	21 694	40 157	75 549	27 645	29 714	269 985

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

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

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

Calculation of core loans and advances to customers

R'million	30 Sept 2011	31 March 2011
Loans (pre-impairments and intercompany loans)	120 208	116 678
Less: warehouse facilities and structured credit investments arising out of our securitisation and principal finance activities (pre-impairments)	(790)	(860)
Add: own-originated securitised assets	2 204	937
Gross core loans and advances to customers (pre-impairments)	121 622	116 755

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

R'million	30 Sept 2011	31 March 2011
Gross core loans and advances to customers	121 622	116 755
Total impairments	(1 433)	(1 382)
Portfolio impairments	(124)	(315)
Specific impairments	(1 309)	(1 067)
Net core loans and advances to customers	120 189	115 373
Average gross core loans and advances to customers	119 189	114 898
Current loans and advances to customers	114 380	108 919
Past due and default core loans and advances to customers	7 242	7 836
Past due loans and advances to customers (1 – 60 days)	909	1 049
Special mention loans and advances to customers	910	641
Default loans and advances to customers	5 423	6 146
Gross core loans and advances to customers	121 622	116 755
Past due and default core loans and advances to customers	7 242	7 836
Default loans that are current and not impaired	102	69
Gross core loans and advances to customers that are past due but not impaired	2 996	3 876
Gross core loans and advances to customers that are impaired	4 144	3 891
Total income statement charge for core loans and advances	(357)	(852)
Gross default loans and advances to customers	5 423	6 146
Specific impairments	(1 309)	(1 067)
Portfolio impairments	(124)	(315)
Defaults net of impairments	3 990	4 764
Collateral and other credit enhancements	5 728	7 101
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.18%	1.18%
Total impairments as a % of gross default loans	26.42%	22.49%
Gross defaults as a % of gross core loans and advances to customers	4.46%	5.26%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.32%	4.13%
Net defaults as a % of gross core loans and advances to customers	–	–
Annualised credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	0.59%	0.74%

An age analysis of past due and default core loans and advances to customers

R'million	30 Sept 2011	31 March 2011
Default loans that are current	494	633
1 – 60 days	1 728	1 284
61 – 90 days	280	423
91 – 180 days	625	843
181 – 365 days	597	1 825
>365 days	3 518	2 828
Past due and default core loans and advances to customers (actual capital exposure)	7 242	7 836
1 – 60 days	261	304
61 – 90 days	71	105
91 – 180 days	329	342
181 – 365 days	442	1 197
>365 days	3 135	2 520
Past due and default core loans and advances to customers (actual amount in arrears)	4 238	4 468

A further age analysis of past due and default core loans and advances to customers

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 30 September 2011							
Watchlist loans neither past due nor impaired							
Total capital exposure	102	–	–	–	–	–	102
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 426	268	265	224	813	2 996
Amount in arrears	–	96	71	104	153	660	1 084
Gross core loans and advances to customers that are impaired							
Total capital exposure	392	302	12	360	373	2 705	4 144
Amount in arrears	–	165	–	225	289	2 475	3 154
As at 31 March 2011							
Watchlist loans neither past due nor impaired							
Total capital exposure	69	–	–	–	–	–	69
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 192	360	696	838	790	3 876
Amount in arrears	–	272	77	270	568	564	1 751
Gross core loans and advances to customers that are impaired							
Total capital exposure	564	92	63	147	987	2 038	3 891
Amount in arrears	–	32	28	72	629	1 956	2 717

An age analysis of past due and default core loans and advances to customers as at 30 September 2011 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	909	–	–	–	–	909
Special mention	–	494	258	50	56	52	910
Special mention (1 – 90 days)	–	494	63	50*	56*	52*	715
Special mention (61 – 90 days and item well secured)	–	–	195	–	–	–	195
Default	494	325	22	575	541	3 466	5 423
Sub-standard	54	5	–	184	92	345	680
Doubtful	440	320	22	391	449	3 121	4 743
Total	494	1 728	280	625	597	3 518	7 242

An age analysis of past due and default core loans and advances to customers as at 30 September 2011 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	94	–	–	–	–	94
Special mention	–	2	71	20	52	36	181
Special mention (1 – 90 days)	–	2	3	20*	52*	36*	113
Special mention (61 – 90 days and item well secured)	–	–	68	–	–	–	68
Default	–	165	–	309	390	3 099	3 963
Sub-standard	–	–	–	81	70	269	420
Doubtful	–	165	–	228	320	2 830	3 543
Total	–	261	71	329	442	3 135	4 238

* *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 is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	1 049	–	–	–	–	1 049
Special mention	–	46	348	214	4	29	641
Special mention (1 – 90 days)	–	46	118	214*	4*	29*	411
Special mention (61 – 90 days and item well secured)	–	–	230	–	–	–	230
Default	633	189	75	629	1 821	2 799	6 146
Sub-standard	49	67	8	432	639	446	1 641
Doubtful	584	122	67	197	1 182	2 353	4 505
Total	633	1 284	423	843	1 825	2 828	7 836

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	254	–	–	–	–	254
Special mention	–	1	75	37	–	16	129
Special mention (1 – 90 days)	–	1	4	37*	–	16*	58
Special mention (61 – 90 days and item well secured)	–	–	71	–	–	–	71
Default	–	49	30	305	1 197	2 504	4 085
Sub-standard	–	5	1	211	422	300	939
Doubtful	–	44	29	94	775	2 204	3 146
Total	–	304	105	342	1 197	2 520	4 468

* *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 is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

R'million	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 30 September 2011								
Current core loans and advances	114 380	–	–	114 380	–	(92)	114 288	–
Past due (1 – 60 days)	–	909	–	909	–	(23)	886	94
Special mention	–	910	–	910	–	(9)	901	181
Special mention (1 – 90 days in arrears and management concerned)	–	715	–	715	–	(8)	707	113
Special mention (61 – 90 days and item well secured)	–	195	–	195	–	(1)	194	68
Default	102	1 177	4 144	5 423	(1 309)	–	4 114	3 963
Sub-standard	54	625	1	680	–	–	680	420
Doubtful	48	552	4 143	4 743	(1 309)	–	3 434	3 543
Total	114 482	2 996	4 144	121 622	(1 309)	(124)	120 189	4 238
As at 31 March 2011								
Current core loans and advances	108 919	–	–	108 919	–	(300)	108 619	–
Past due (1 – 60 days)	–	1 049	–	1 049	–	(9)	1 040	254
Special mention	–	641	–	641	–	(6)	635	129
Special mention (1 – 90 days)	–	411	–	411	–	(3)	408	58
Special mention (61 – 90 days and item well secured)	–	230	–	230	–	(3)	227	71
Default	69	2 186	3 891	6 146	(1 067)	–	5 079	4 085
Sub-standard	49	1 591	1	1 641	–	–	1 641	939
Doubtful	20	595	3 890	4 505	(1 067)	–	3 438	3 146
Total	108 988	3 876	3 891	116 755	(1 067)	(315)	115 373	4 468

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

R'million	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
As at 30 September 2011			
Private Banking professional and HNW individuals	82 949	820	677
Corporate sector	19 857	–	38
Banking, insurance, financial services (excluding sovereign)	9 017	–	–
Public and government sector (including central banks)	873	–	–
Trade finance	1 684	89	–
Total gross core loans and advances to customers	114 380	909	715
As at 31 March 2011			
Private Banking professional and HNW individuals	76 659	903	337
Corporate sector	19 347	13	74
Banking, insurance, financial services (excluding sovereign)	10 700	4	–
Public and government sector (including central banks)	799	–	–
Trade finance	1 414	129	–
Total gross core loans and advances to customers	108 919	1 049	411

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

R'million	30 Sept 2011	31 March 2011
Private Banking professional and HNW individuals	89 638	84 049
Corporate sector	20 217	19 555
Banking, insurance, financial services (excluding sovereign)	9 017	10 704
Public and government sector (including central banks)	873	799
Trade finance	1 877	1 648
Total gross core loans and advances to customers	121 622	116 755

	Special mention (61 – 90 days and well secured)	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	128	679	4 385	89 638	(74)	(1 120)	(1 194)
	45	–	277	20 217	(45)	(129)	(174)
	–	–	–	9 017	(4)	–	(4)
	–	–	–	873	(1)	–	(1)
	22	1	81	1 877	–	(60)	(60)
	195	680	4 743	121 622	(124)	(1 309)	(1 433)
	213	1 640	4 297	84 049	(154)	(925)	(1 079)
	–	–	121	19 555	(155)	(89)	(244)
	–	–	–	10 704	(6)	–	(6)
	–	–	–	799	–	–	–
	17	1	87	1 648	–	(53)	(53)
	230	1 641	4 505	116 755	(315)	(1 067)	(1 382)

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

R'million	Private Bank** 30 Sept 2011	Private Bank** 31 March 2011	Capital Markets** 30 Sept 2011	Capital Markets** 31 March 2011	Other* 30 Sept 2011	Other* 31 March 2011	Total 30 Sept 2011	Total 31 March 2011
Gross core loans and advances to customers	89 638	84 049	27 376	27 833	4 608	4 873	121 622	116 755
Total impairments	(1 194)	(1 078)	(125)	(28)	(114)	(276)	(1 433)	(1 382)
Portfolio impairments	(74)	(153)	(25)	(18)	(25)	(144)	(124)	(315)
Specific impairments	(1 120)	(925)	(100)	(10)	(89)	(132)	(1 309)	(1 067)
Net core loans and advances to customers	88 444	82 971	27 251	27 805	4 494	4 597	120 189	115 373
Average gross core loans and advances to customers	86 843	82 040	27 605	28 313	4 741	4 545	119 189	114 898
Current loans and advances to customers	82 949	76 660	27 045	27 699	4 386	4 560	114 380	108 919
Past due and default core loans and advances to customers	6 689	7 389	331	134	222	313	7 242	7 836
Past due loans and advances to customers (1 – 60 days)	820	903	–	17	89	129	909	1 049
Special mention loans and advances to customers	806	550	82	74	22	17	910	641
Default loans and advances to customers	5 063	5 936	249	43	111	167	5 423	6 146
Gross core loans and advances to customers	89 638	84 049	27 376	27 833	4 608	4 873	121 622	116 755
Past due and default core loans and advances to customers	6 689	7 389	331	134	222	313	7 242	7 836
Default loans that are current and not impaired	102	69	–	–	–	–	102	69
Gross core loans and advances to customers that are past due but not impaired	2 803	3 639	82	91	111	146	2 996	3 876
Gross core loans and advances to customers that are impaired	3 784	3 681	249	43	111	167	4 144	3 891
Total income statement charge for core loans and advances	(391)	(1 040)	(93)	154	127	34	(357)	(852)
Gross default loans and advances to customers	5 063	5 936	249	43	111	167	5 423	6 146
Specific impairments	(1 120)	(925)	(100)	(10)	(89)	(132)	(1 309)	(1 067)
Portfolio impairments	(74)	(153)	(25)	(18)	(25)	(144)	(124)	(315)
Defaults net of impairments	3 869	4 858	124	15	(3)	(109)	3 990	4 764
Collateral and other credit enhancements	5 537	7 021	159	32	32	48	5 728	7 101
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

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

** *A further analysis of our Private Bank and Capital Markets loan portfolios, broken down by type of loan, is provided on page 33.*

	Private Bank		Capital Markets		Other		Total	
	30 Sept 2011	31 March 2011	30 Sept 2011	31 March 2011	30 Sept 2011	31 March 2011	30 Sept 2011	31 March 2011
Total impairments as a % of gross core loans and advances to customers	1.33%	1.28%	0.46%	0.10%	2.47%	5.66%	1.18%	1.18%
Total impairments as a % of gross default loans	23.58%	18.16%	50.20%	65.12%	>100%	>100%	26.24%	22.49%
Gross defaults as a % of gross core loans and advances to customers	5.65%	7.06%	0.91%	0.15%	2.41%	3.43%	4.46%	5.26%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.37%	5.86%	0.46%	0.05%	(0.07%)	(2.37%)	3.32%	4.13%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–	–	–	–	–
Annualised credit loss ratio as a % of average gross loans and advances	0.90%	1.27%	0.65%	(0.53%)	(5.32%)	(0.75%)	0.59%	0.74%

An analysis of default core loans and advances

R'million	As at 30 Sept 2011				As at 31 March 201			
	Gross core loans	Gross defaults	Collateral	Impairments	Gross core loans	Gross defaults	Collateral	Impairments
Private Bank								
Residential property	33 168	2 590	2 721	520	31 963	3 015	3 950	420
Residential property investment	3 270	377	408	62	3 534	631	772	33
Residential mortgages (owner occupied and second homes)	25 519	628	796	118	23 285	340	894	69
Residential property development	1 288	177	147	48	1 457	337	413	23
Residential estates/land	3 091	1 408	1 370	292	3 687	1 707	1 871	295
Commercial property	40 383	1 409	1 632	297	36 806	1 359	1 740	252
Commercial property investment	35 836	945	1 166	158	32 304	1 033	1 316	197
Commercial property land	3 178	449	450	137	3 132	315	413	55
Commercial property development	1 369	15	16	2	1 370	11	11	–
Other	16 087	1 064	1 184	377	15 281	1 262	1 331	406
Asset backed lending	4 628	573	684	224	2 219	326	500	121
Unlisted securities and general corporate lending	4 052	47	74	5	6 308	522	479	153
Unsecured lending	1 346	58	21	43	1 457	87	65	45
Other	6 061	386	405	105	5 297	327	287	87
Total Private Bank	89 638	5 063	5 537	1 194	84 050	5 636	7 021	33
Capital Markets								
Acquisition finance	2 435	–	–	–	3 068	–	–	–
Asset finance	3 170	–	–	7	2 720	–	–	–
Corporate loans	18 185	43	43	28	18 889	43	32	28
Project finance	2 268	206	116	90	2 002	–	–	–
Resource finance and commodities	1 318	–	–	–	1 153	–	–	–
Total Capital Markets	27 376	249	159	125	27 832	43	32	28
Other*	4 608	111	32	114	4 873	167	48	276
Total group	121 622	5 423	5 728	1 433	116 755	5 846	7 101	337

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

Collateral

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

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 30 September 2011			
Eligible financial collateral	51 602	4 105	55 707
Listed shares	48 889	–	48 889
Cash	2 713	4 105	6 818
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	62 670	15	62 685
Residential mortgages	22 772	–	22 772
Residential development	147	–	147
Commercial property development	4 487	15	4 502
Commercial property investments	35 264	–	35 264
Other collateral	54 111	11	54 122
Unlisted shares	22 536	–	22 536
Bonds other than mortgage bonds	3 092	–	3 092
Debtors, stock and other corporate assets	894	–	894
Guarantees	11 885	11	11 896
Other	15 704	–	15 704
Total collateral	168 383	4 131	172 524
As at 31 March 2011			
Eligible financial collateral	25 983	7 600	33 583
Listed shares	22 881	1 261	24 142
Cash	3 015	4 901	7 916
Debt securities issued by sovereigns	87	1 438	1 525
Mortgage bonds	129 498	15	129 513
Residential mortgages	52 126	–	52 126
Residential development	–	–	–
Commercial property developments	794	15	809
Commercial property investments	76 578	–	76 578
Other collateral	38 309	1 072	39 381
Unlisted shares	13 357	–	13 357
Bonds other than mortgage bonds	2 273	220	2 493
Debtors, stock and other corporate assets	908	–	908
Guarantees	11 397	852	12 249
Other	10 374	–	10 374
Total collateral	193 790	8 687	202 477

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

Equity and investment risk in the banking book

Equity and investment risk description

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

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

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
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

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

	Income (pre funding costs)				
R'million	Unrealised	Realised	Dividends, net interest and other	Total	Fair value through equity
For the six months to 30 September 2011					
Unlisted investments	301	48	27	376	–
Listed equities	(229)	3	3	(223)	–
Warrants, profit shares and other embedded derivatives	15	48	(2)	61	–
Investment and trading properties	–	–	–	–	–
Total	87	99	28	214	–
For the year ended 31 March 2011					
Unlisted investments	38	469	242	749	–
Listed equities	369	20	–	389	–
Warrants, profit shares and other embedded derivatives	78	138	–	216	–
Investment and trading properties	14	–	1	15	–
Total	499	627	243	1 369	–

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 Bank Limited.

Summary of investments held and stress testing analyses

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

R'million	On-balance sheet value of investments 30 Sept 2011	Valuation change stress test* 30 Sept 2011	On-balance sheet value of investments 31 March 2011	Valuation change stress test* 31 March 2011
Unlisted investments	5 504	810	4 982	747
Listed equities	1 034	258	1 134	284
Warrants, profit shares and other embedded derivatives	583	204	577	202
Investment and trading properties	302	60	302	59
Total	7 423	1 332	6 995	1 292

* *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%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information as at 30 September 2011, as reflected above we could have a R1.3 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the bank to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 48 for further detail.

Securitisation/principal finance activities and exposures

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

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

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

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R0.6 billion as at 30 September 2011 (31 March 2011: R2.0 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis. The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

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

In addition, we have own originated, securitised assets in our Private Banking business in South Africa. The primary motivations for the securitisation of assets within our Private Banking division are to:

- Provide an alternative source of funding
- Provide a source of revenue
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Bank amount to R2.2 billion (31 March 2011: R0.9 billion). These securitisation structures have all been rated by Moody's.

Credit analysis

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

Nature of exposure/ activity	Exposure as at 30 Sept 2011 R'mn	Exposure as at 31 March 2011 R'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	3 235	3 070	On-balance sheet securitisation/principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	3 078	2 774			
Unrated	157	296			
Warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	733	790	On-balance sheet securitisation/principal finance exposure.	The total exposure of R733 million is net of impairments of R57 million.	Risk-weighted depending on rating of counterparty
Private Banking division assets which have been securitised	2 204	937	On-balance sheet exposure – reclassified from 'accounting securitised assets' to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
Liquidity facilities provided to third party corporate securitisation vehicles	607	2 041	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

*A further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	30 Sept 2011 Total	31 March 2011 Total
US corporate loans	–	–	–	–	39	–	–	39	33
European RMBS	449	859	385	631	280	–	–	2 604	2 340
European CMBS	–	103	–	17	–	–	–	120	109
South African RMBS	–	315	–	–	–	–	–	315	271
South African CMBS	–	–	–	–	–	–	–	–	21
Total	449	1 277	385	648	319	–	–	3 078	2 774

Traded market risk management

Traded market risk description

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

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

Management and measurement of traded market risk

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

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

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL), 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 and so trading capital is calculated as a function of the 99% 10-day VaR, backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

VaR 95% (one-day)

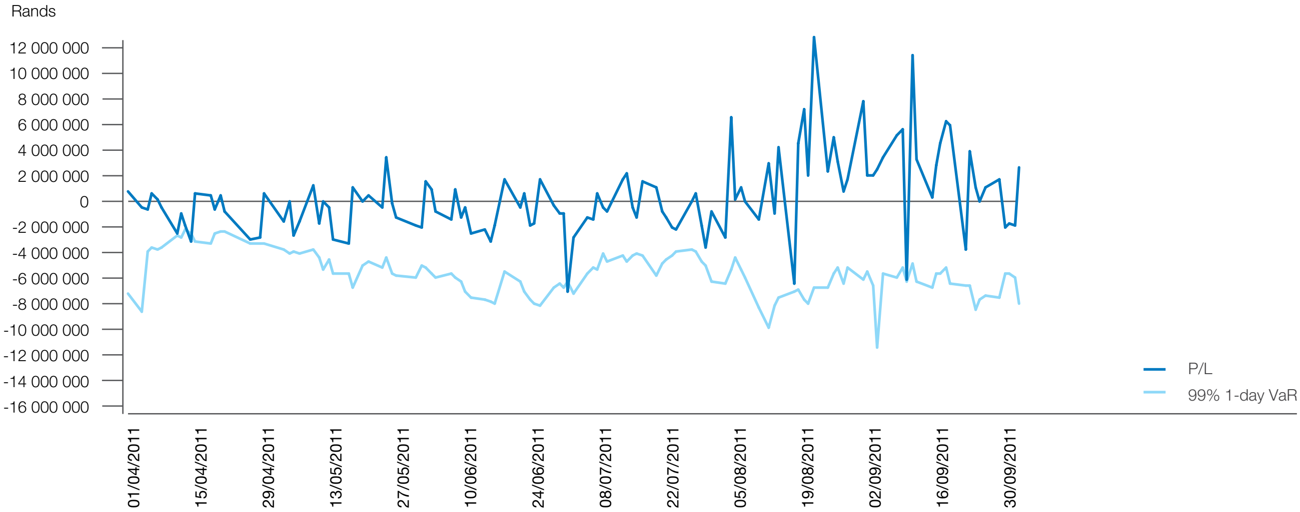
R'million	95% (one-day)			
	Period end	Average	High	Low
30 September 2011				
Commodities	0.1	0.1	0.5	–
Equity derivatives	2.7	1.7	5.2	0.7
Foreign exchange	4.5	2.0	8.9	0.7
Interest rates	2.1	2.3	5.1	0.8
Consolidated*	5.3	3.2	7.6	1.2
31 March 2011				
Commodities	0.1	0.1	0.3	–
Equity derivatives	1.1	1.5	5.7	0.4
Foreign exchange	0.9	1.9	5.7	0.7
Interest rates	1.3	2.4	5.1	0.9
Consolidated*	1.7	3.0	9.8	1.3

* *The consolidated VaR for each desk is lower than the sum of the individual VaR's. This arises from the consolidation offset between various asset classes (diversification).*

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

Over the 6-month period South African trading desks experienced four VaR exceptions. While this is more than expected, the losses were due to normal trading activities. These losses were driven by the extreme volatility in the markets, in particular the forex and interest rate markets.

99% 1-day VaR backtesting



ETL 95% (one-day)

R'million	30 Sept 2011	31 March 2011
Commodities	0.1	0.1
Equity derivatives	3.8	2.7
Foreign exchange	5.5	1.3
Interest rates	2.8	2.4
Consolidated*	6.8	3.5

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

Stress testing

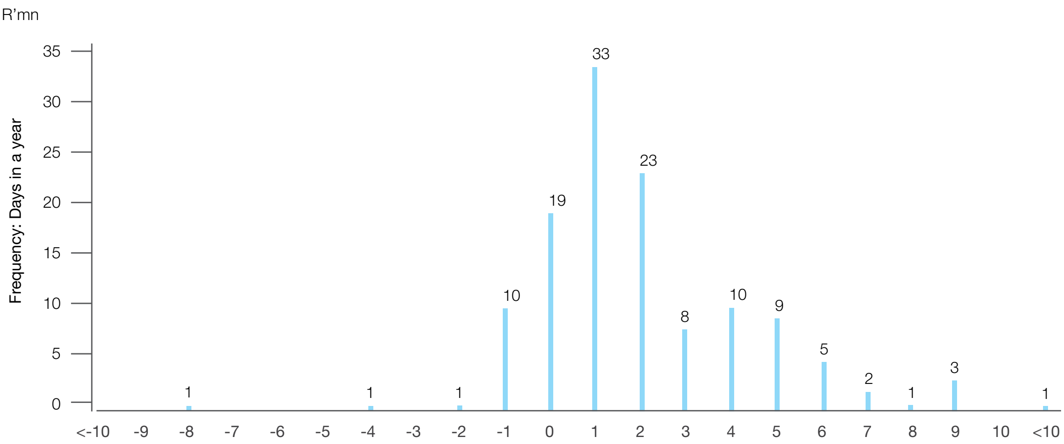
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. These numbers do not assume normality but rather relies on fitting a distribution to the toils of the distribution. This method is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event.

R'million	30 Sept 2011	31 March 2011
Commodities	0.2	0.3
Equity derivatives	9.6	16.0
Foreign exchange	9.3	5.6
Interest rates	5.6	10.0
Consolidated	5.3	6.2

Profit and loss histograms

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 96 days out of a total of 128 days in the trading business. The average daily trading revenue generated for the six months ended 30 September 2011 was R1.6 million (March 2011: R1.2 million).

Profit and loss



Balance sheet risk management

Balance sheet risk description

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

Non-trading interest rate risk description

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

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

Interest rate sensitivity as at 30 September 2011

The table below shows our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs.

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	15 358	–	–	–	–	3 930	19 288
Cash and short-term funds – non-banks	5 025	–	–	–	–	–	5 025
Investment/trading assets and statutory liquids	18 043	17 014	15 752	6 973	6 932	6 007	70 721
Securitised assets	3 473	–	–	–	–	–	3 473
Advances	102 923	566	863	8 114	4 935	1 322	118 723
Other assets	–	–	–	–	–	1 189	1 189
Assets	**144 882**	**17 580**	**16 615**	**15 087**	**11 867**	**12 448**	**218 419**
Deposits – banks	(8 757)	(257)	(106)	(279)	–	–	(9 399)
Deposits – non-banks	(147 100)	(14 443)	(4 634)	(3 297)	(714)	(1 137)	(171 325)
Negotiable paper	(1 526)	(100)	(50)	(32)	(119)	–	(1 827)
Securitised liabilities	(3 212)	–	–	–	–	(416)	(3 628)
Investment/trading liabilities	(11 103)	–	–	–	–	(153)	(11 256)
Subordinated liabilities	(2 791)	(1 688)	–	(2 187)	(200)	–	(6 866)
Other liabilities	–	–	–	–	–	(3 074)	(3 074)
Liabilities	**(174 489)**	**(16 488)**	**(4 790)**	**(5 795)**	**(1 033)**	**(4 780)**	**(207 375)**
Intercompany loans	**16 096**	**855**	**(256)**	**(2 176)**	**(4 873)**	**484**	**10 130**
Shareholders' funds	**(1 173)**	**–**	**–**	**–**	**(11)**	**(18 801)**	**(19 985)**
Balance sheet	**(14 744)**	**1 947**	**11 569**	**7 116**	**5 950**	**(10 649)**	**1 189**
Off-balance sheet	20 919	5 679	(12 469)	(8 897)	(6 370)	(51)	(1 189)
Repricing gap	**6 175**	**7 626**	**(900)**	**(1 781)**	**(420)**	**(10 700)**	**–**
Cumulative repricing gap	6 175	13 801	12 901	11 120	10 700	–	–

Economic value sensitivity as at 30 September 2011

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

	Sensitivity to the following interest rates (expressed in original currencies)						
’million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bp down	(59.2)	1.3	8.4	(1.5)	1.6	–	22.9
200bp up	32.1	(2.0)	(5.6)	0.5	(1.3)	0.1	(44.2)

Liquidity risk description

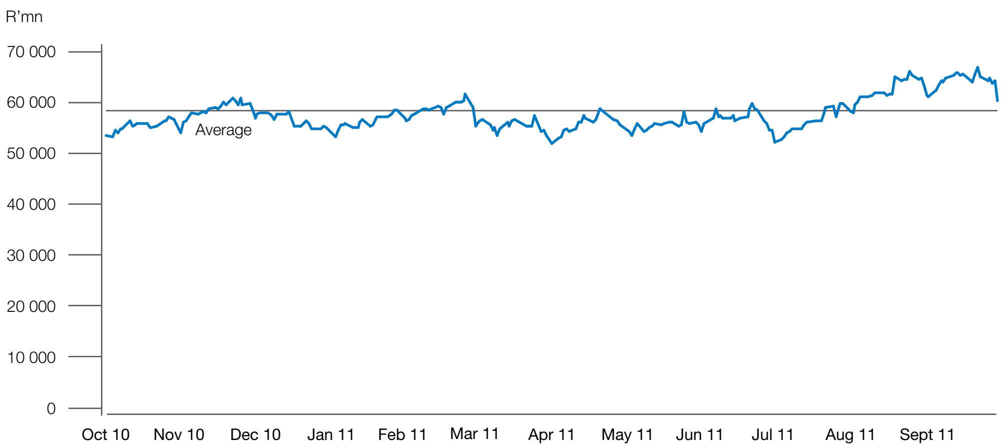
Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and marketwide 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 without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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

Cash and near cash trend



An analysis of cash and near cash

Bank and non-bank depositor concentration by type

Liquidity mismatch

The tables that follow show our liquidity mismatch.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity as at 30 September 2011

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Cash and short-term funds – banks*	16 091	2 090	135	15	32	1 210	–	19 573
Cash and short-term funds – non-banks	4 967	32	26	–	–	–	–	5 025
Investment/trading assets and statutory liquids**	32 501	17 617	1 498	1 899	5 019	23 043	16 250	97 827
Securitised assets	148	20	237	119	219	1 262	1 468	3 473
Advances	2 939	5 540	9 369	9 942	12 966	47 710	30 257	118 723
Other assets	–	–	–	–	748	625	5 679	7 052
Assets	**56 646**	**25 299**	**11 265**	**11 975**	**18 984**	**73 850**	**53 654**	**251 673**
Deposits – banks	(5 644)	(1 352)	(331)	(54)	(296)	(1 722)	–	(9 399)
Deposits – non-banks	(61 073)	(20 791)	(35 214)	(19 178)	(18 064)	(15 785)	(1 974)	(172 079)
Negotiable paper	–	–	(300)	(340)	(150)	(374)	(663)	(1 827)
Securitised liabilities	(4)	(709)	(510)	–	–	(1 957)	(448)	(3 628)
Investment/trading liabilities	(8)	(6 397)	(1 731)	(1 402)	(2 202)	(16 974)	(5 543)	(34 257)
Subordinated liabilities	–	–	–	(1 688)	–	(3 628)	(1 550)	(6 866)
Other liabilities	–	(43)	(162)	(90)	(80)	(34)	(3 163)	(3 572)
Liabilities	**(66 729)**	**(29 292)**	**(38 248)**	**(22 752)**	**(20 792)**	**(40 474)**	**(13 341)**	**(231 628)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(20 045)**	**(20 045)**
Contractual liquidity gap	**(10 083)**	**(3 993)**	**(25 983)**	**(10 777)**	**(1 808)**	**33 376**	**20 268**	**–**
Cumulative liquidity gap	(10 083)	(14 076)	(41 059)	(51 836)	(53 644)	(20 268)	–	

Note: contractual liquidity adjustments (as discussed on page 46)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
*Cash and short-term funds – banks	12 176	2 090	135	15	32	1 210	3 915	19 573
**Investment/trading assets and statutory liquids	713	8 358	6 331	17 650	22 745	25 042	16 988	97 827

Behavioural liquidity (as discussed on page 46)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Behavioural liquidity gap	36 234	(3 091)	(2 161)	(590)	(568)	(63 608)	32 647	–
Cumulative	36 234	33 143	30 982	30 392	(30 961)	(32 647)	–	

Capital information

Capital structure

R'million	30 Sept 2011	31 March 2011
Regulatory capital		
Tier 1		
Called up share capital	28	27
Share premium	12 793	11 845
Retained income	7 582	7 067
Other reserves	6	250
Goodwill and intangible assets	(109)	(108)
Primary capital (tier 1)	20 300	19 081
Less: deductions	(278)	(297)
	20 022	18 784
Tier 2 capital		
Aggregate amount	6 809	7 039
Less: deductions	(278)	(297)
	6 531	6 742
Total capital	26 553	25 526

Capital requirements

R'million	30 Sept 2011	31 March 2011
Capital requirements	16 111	15 537
Credit risk – prescribed standardised exposure classes	12 177	11 662
Corporates	7 535	7 369
Secured on real estate property	1 196	1 166
Counterparty risk on trading positions	476	364
Short term claims on institutions and corporates	1 638	1 553
Retail	315	291
Institutions	931	841
Other exposure classes	86	78
Securitisation exposures	353	450
Equity risk – standardised approach	2 238	2 109
Listed equities	248	295
Unlisted equities	1 990	1 814
Market risk – portfolios subject to internal models approach	108	90
Interest rate	30	40
Foreign exchange	28	21
Commodities	1	1
Equities	49	28
Operational risk – standardised approach	1 235	1 226

Capital adequacy

R'million	30 Sept 2011	31 March 2011
Primary capital (tier 1)	20 300	19 081
Less: deductions	(278)	(297)
	20 022	18 784
Tier 2 capital		
Aggregate amount	6 809	7 039
Less: deductions	(278)	(297)
	6 531	6 742
Total capital	26 553	25 526
Risk-weighted assets (banking and trading)	169 593	163 537
Credit risk – prescribed standardised exposure classes	128 181	122 751
Corporates	79 314	77 573
Secured on real estate property	12 592	12 270
Counterparty risk on trading positions	5 011	3 829
Short term claims on institutions and corporates	17 247	16 342
Retail	3 318	3 067
Institutions	9 797	8 852
Other exposure classes	902	818
Securitisation exposures	3 713	4 737
Equity risk – standardised approach	23 563	22 204
Listed equities	2 614	3 110
Unlisted equities	20 949	19 094
Market risk – portfolios subject to internal models approach	1 132	943
Interest rate	314	420
Foreign exchange	299	221
Commodities	8	9
Equities	511	293
Operational risk – standardised approach	13 004	12 902
Capital adequacy ratio	15.7%	15.6%
Tier 1 ratio	11.8%	11.5%
Capital adequacy ratio – pre operational risk	17.0%	16.9%
Tier 1 ratio – pre operational risk	12.8%	12.5%

Corporate information

Investec Bank Limited

Secretary and registered office

Benita Coetsee
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27 11) 286 7957
Facsimile (27 11) 291 1806

Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

Ernst & Young Inc.
KPMG Inc.

Transfer secretaries

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

Directorate

Executive directors

S Koseff (chief executive officer)
B Kantor (managing director)
GR Burger (group risk and finance director)
DM Lawrence (deputy chairman)
B Tapnack

Non-executive directors

F Titi (chairman)
SE Abrahams
MP Malungani
Sir D Prosser (British)
KXT Socikwa
PRS Thomas
CB Tshili

For queries regarding information in this document:

Investor Relations

Telephone (27 11) 286 7070
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/en_za/#home/investor_relations.html

Notes

Notes

Printed on

triple green

sixty percent sugar cane fibre. chlorine free. sustainable afforestation.