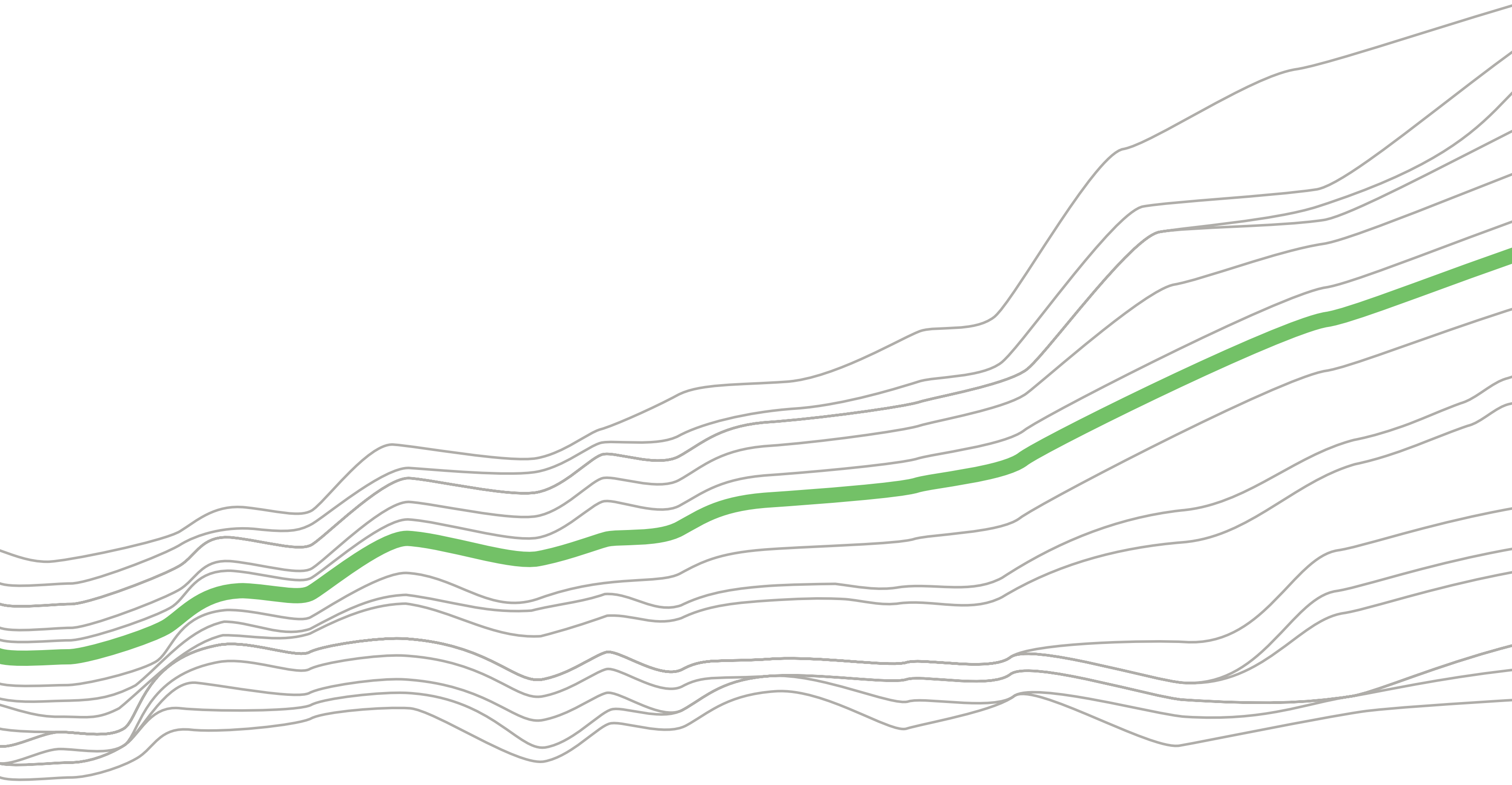
Investec



Investec Bank Limited Group and Company Annual Financial Statements **2008**

Corporate information

Investec Bank Limited

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Registration number
Investec Bank Limited
Reg. No. 1969/004763/06

Auditors
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KPMG Inc.

Investec directors
Refer to page 64.

Transfer Secretaries in South Africa
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Investec offices - contact details
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Investec in perspective

Overview of the Investec group

Who we are

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

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

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

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

What we do

We are organised as a network comprising five business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. 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 banking group. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values..

Values

Distinctive Performance

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

Dedicated Partnerships

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

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

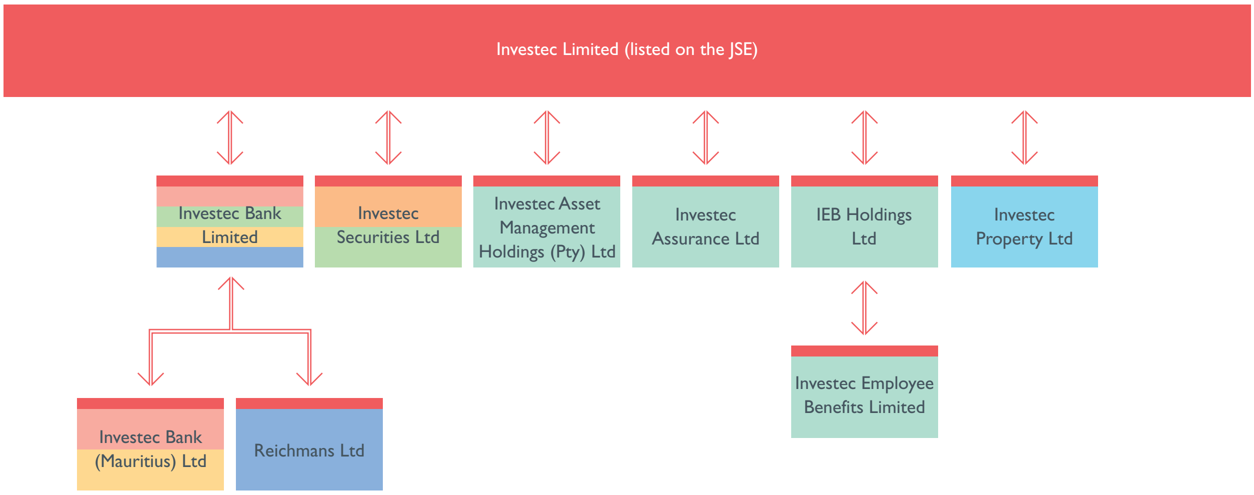
Philosophies

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

Investec Bank Limited organisational structure

In terms of the implementation of the DLC structure Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Limited South Africa. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

As at 31 March 2008



Key: activities conducted

- Private Banking
- Private Client Portfolio Management and Stockbroking
- Capital Markets
- Investment Banking
- Asset Management and Assurance Activities
- Property Activities
- Other Activities

Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Overview of the activities of Investec Bank Limited

Introduction

The bank's structure comprises three principal business units: Private Banking, Capital Markets and Investment Banking. 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 office is also responsible for our central funding as well as other activities such as trade finance.

Private Banking

Investec Private Bank provides a range of private banking services, targeting select high income and net worth individuals in chosen niche markets. These services include:

- Banking
- Structured Property Finance
- Growth and Acquisition Finance
- Wealth Management and Advisory
- Trust and Fiduciary

We are the ideal partner for those who require more than traditional banking services. The philosophy of 'out thinking' rather than 'out muscling' underpins all that we do. This means aspiring to be not only better, but more importantly different. We position ourselves as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

This unique offering has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients. Our principal private banking products and services are described in further detail below.

One of our key strengths is the ability to originate new business by leveraging off our strong client relationships, which we establish through our lending activities. This sets us apart from other private banks that are dependent on the more traditional asset-gathering model.

Finally, not only do we have a presence in each of the major centres of South Africa, but we are strongly integrated with the group's UK and Australian operations.

Banking

This offering comprises a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include lending, foreign exchange, daily transactional banking, mortgages, short-term insurance and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

Structured Property Finance

A key part of our business, we provide senior debt, mezzanine and equity to industry leaders involved in the residential and commercial property markets. Our strong connections within the market and deep relationships with our clients allow us to proactively bring opportunities to them.

Growth and Acquisition Finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for mid-market and privately owned businesses. Our practitioners work with clients on a long-term basis, creating and realising shareholder value. Using preferred equity, mezzanine debt, integrated finance and/or asset-based lending, we meet the needs of our client base.

Wealth Management and Advisory

We focus exclusively on creating customised global investment strategies for select ultra high net worth entrepreneurs, offering access to sophisticated, institutional opportunities not typically available to private investors. Our model is predicated on the philosophy of 'high touch, high value'. This ensures that each client is allocated an expert investment practitioner who proactively partners with them in achieving their bespoke financial goals.

Our offering focuses on identifying institutional managers who consistently excel in their areas of expertise. We are independent and utilise outstanding traditional and alternative investment products and services from the world's leading financial institutions.

Trust and Fiduciary

Critical to our offering is the ability to implement appropriate structures on behalf of clients. Investec Trust operates uniquely within the fiduciary market, as a bank owned trust company with the independence to operate with partners best suited to our clients. Working alongside these partners, our focus is on the delivery and administration of complex and effective international financial structures tailored to each individual.

Capital Markets

Our 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 our wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

We focus on the following activities:

Asset and liability management

Treasury provides South African Rand, Sterling, Euro and US Dollar funding to the group and manages liquidity and interest rate risk for the group.

Corporate treasury

Corporate treasury offers corporate and commercial clients a direct dealing capability with a single point of contact for both foreign exchange requirements, and short term international and domestic money market products.

Financial Products

The four businesses comprising Financial Products offer derivative hedging solutions to clients in the interest rate and foreign exchange environment, provide scrip lending services on an agency basis, structure and distribute investment products to individuals and institutions, manage the bank's preference share investments and funding thereof as well as structure equity solutions for individuals, corporates and BEE consortia.

Structured and Asset Finance

This area focuses on structured and conventional lending and debt capital markets, including securitisation, bond origination and principal finance across various asset classes. Structured lending includes asset finance and leasing, preference share finance, LBO's, MBO's and financing solutions for corporate, government and public sector clients.

Project 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, defence projects, transport and power.

Commodities and Resource Finance

We are active in the precious and base metals, minerals, oil and gas sectors. The business operates across the debt-equity spectrum and includes advisory services, debt arranging and underwriting, structuring and providing hedging solutions.

Interest Rate Trading

Products include forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements. We act as market makers and trade as principal.

Foreign Exchange Trading

We are a market maker in the spot, forward exchange, currency swaps and currency derivatives markets (options and futures), principally in Rand and G7 currencies.

Equity Derivatives Trading

We trade major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services directly to financial intermediaries and institutions and indirectly via the Financial Products area to companies and individuals.

Investment Banking

We engage in a range of investment banking activities, including corporate finance, direct investments and private equity.

We are established as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to large and mid-capitalisation companies. In addition, as a result of our local knowledge and expertise, we are well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which we have been involved.

Corporate Finance

We focus on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice. In addition, since 2006 we have started to focus on initial public offerings and capital raisings as the domestic capital market activity in South Africa has improved.

Direct Investments

As a result of our in-depth market knowledge and local expertise, we are well positioned to take direct positions in predominantly JSE listed shares where we believe that the market is mispricing the value of underlying portfolio of assets. These investment positions will be carefully researched with the intent to stimulate corporate activity. We also continue to pursue opportunities to help to create and grow black owned and controlled companies.

Private Equity

We actively seek and select expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy.

Group Services and Other Activities

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 Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group 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.

Financial review

Commentary on the results of Investec Bank Limited for the year ended 31 March 2008

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2007.

Introduction

The bank increased headline earnings attributable to ordinary shareholders by 22.0% from R1 389 million to R1 694 million. Our strategy of maintaining a balanced business model continues to support the operating fundamentals of the bank. We have benefited from the strong performance by the majority of our businesses.

Financial highlights

	31 March 2008	31 March 2007	% Change
Profit before taxation (R'million)	2 484	2 124	16.9%
Headline earnings attributable to ordinary shareholders (R'million)	1 694	1 389	22.0%
Cost to income ratio	48.2%	49.9%	-
Total capital resources (including subordinated liabilities) (R'million)	17 670	13 122	34.7%
Total equity (R'million)	12 960	10 056	28.9%
Total assets (R'million)	167 562	142 764	17.4%
Capital adequacy ratio*	14.3%	14.1%	-
Tier 1 ratio*	9.6%	9.3%	-

* Capital adequacy figures for 2008 are presented in terms of Basel II and for 2007 in terms of Basel I.

Segmental information

For the year ended 31 March 2008 R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services & Other Activities	Total
Net operating income before headline adjustments	2 139	1 780	542	843	5 304
Operating expenses	(1 322)	(849)	(217)	(394)	(2 782)
Operating profit before taxation and headline adjustments	**817**	**931**	**325**	**449**	**2 522**
Headline adjustments	(38)	-	-	-	(38)
Operating profit before taxation	**779**	**931**	**325**	**449**	**2 484**
Cost to income ratio (%)	57.8	41.5	38.6	45.2	48.2

For the year ended 31 March 2007 R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services & Other Activities	Total
Net operating income before headline adjustments	1 550	1 448	584	704	4 286
Operating expenses	(995)	(608)	(204)	(394)	(2 201)
Operating profit before taxation and headline adjustments	**555**	**840**	**380**	**310**	**2 085**
Headline adjustments	-	-	-	39	39
Operating profit before taxation	**555**	**840**	**380**	**349**	**2 124**
Cost to income ratio (%)	61.7	40.3	34.9	56.2	49.9

Business unit review

An analysis of the performance of each business unit is provided. "Operating Profit" in the business unit review below, refers to profit before taxation and after headline adjustments.

Private Banking

Overview of performance

Operating profit increased by 40.4% to R779 million (2007: R555 million). Strong earnings from lending continued to drive profitability. The division benefited from increased distribution capacity and greater penetration across all areas of specialisation, most notably Wealth Management and Growth and Acquisition Finance.

Since 31 March 2007, the Private Bank has shown good growth in all of its key earnings drivers:

- Core loans and advances increased by 19.4% to R66.6 billion
- The deposit book increased by 36.6% to R35.9 billion
- Funds under advice increased by 42.6% to R25.9 billion

Developments

- Structured Property Finance has benefited from improved distribution capacity, together with a continued focus on client-led initiatives. These have shifted strongly from residential to retail, commercial and industrial.
- Growth and Acquisition Finance activities continue with a strong emphasis on black economic empowerment. New investments continue to exceed exits and realisations, which should underpin continuing momentum.
- Private Wealth Management continues to grow funds under advice. Differentiating features are our international reach and delivery of special opportunities.
- The General Banking area has significantly increased its client qualifying criteria, allowing a much stronger client focus, and continued success in liability raising.

Outlook

- The outlook for the forthcoming twelve months is tempered as the markets navigate through the credit crunch and its impact on the economy. This could have a meaningful impact on pipelines.
- These conditions could present opportunities which the business and its clients are well placed to take advantage of.
- This, combined with the well diversified earnings stream will mitigate, to some extent, the effects of the broader market environment.

Capital Markets

Overview of performance

Capital Markets posted an increase in operating profit of 10.8% to R931 million (2007: R840 million) Core loans and advances grew by 32.3% to R26.8 billion. Growth was underpinned by a good performance from the division's advisory structuring, asset creation and distribution activities.

Developments

- We experienced very strong growth in our core advances across all sectors, with particularly strong activity in resource finance and acquisition related finance.
- We launched a number of new initiatives and products during the year, including JSE listed Currency Futures, and Exchange Traded Funds platform. We continued to enjoy significant market share across listed equity warrants and single stock futures.
- We managed the group's asset and liability profile during a period that saw a number of interest rate increases. The resultant interest rate risk on the South African balance sheet was managed in a profitable manner.
- Treasury and derivative deal flow continued to grow resulting in excellent results across all our trading areas, including commodities, foreign exchange, interest rates and equity derivatives.
- Activity in debt capital markets, including securitisations, declined rapidly in the last quarter of the year as the effects of global markets forces were felt in the local market. We continue to develop our investments in retail funding platforms, but at a slower pace while markets normalise.

Outlook

- The strategy has not changed. We remain a focused business targeting markets where we can be distinctive and competitive.
- We will continue to strive for depth and greater penetration.
- Our strategy around specialist funds remains a key focus.

- We will continue to invest in the business to ensure continued growth in the medium term.
- The growth of the business is dependent on liquidity and stability returning to the financial markets.
- These factors will have an impact on some of our businesses in the coming year, but we have a diversified portfolio of businesses within Capital Markets and the pipeline remains good in many of our specialised lending areas, including Project Finance, Resource Finance and Structured Finance.
- There is a lag between assets re-pricing and the increased cost of borrowing which will have a negative effect on net interest income.

Investment Banking

Overview of performance

Our Investment Banking division recorded a 14.5% decline in operating profit to R325 million (2007: R380 million). The Corporate Finance division had a stable pipeline, however large fees on a few transactions earned in the prior year were not repeated. The unlisted investments held within the Direct Investment and Private Equity portfolios continued to perform well. Results were however, impacted by a weaker performance from some of the listed investments.

Developments

Corporate Finance

- We maintained our strong positioning with a good level of activity.
- Our focus was on M&A, IPOs and black economic empowerment transactions.
- We retained all our major clients (other than a few clients that were de-listed following public offers) and gained several new mandates during the period, particularly for IPOs.
- The total value of Corporate Finance transactions increased to R113 billion (2007: R52 billion) during the period although the number decreased to 109 (2007: 140).
- Sponsor broker deals completed during the period increased to 165 (2007: 161) with the value increasing to R149 billion (2007: R70 billion).
- The Corporate Finance division was ranked first in volume of listed M&A transactions and unlisted deals and second in general corporate finance by volume in the Dealmakers Magazine Survey for Corporate Finance (2007 calendar year). This is the fourth year out of five that we have been awarded the M&A Gold Medal.
- The Sponsor division was ranked first in volume of M&A transactions and in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2007 calendar year). This is the fifth year running that we have won the M&A award.
- The Corporate Finance and Sponsor divisions were also both ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2007 calendar year).

Direct Investments and Private Equity

- We continued to expand the capacity of our Private Equity and Direct Investments portfolio through acquisitions and capital expenditure.

Outlook

- Black economic empowerment and M&A transactions are expected to continue to drive activity in the Corporate Finance area.
- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and the building of black economic empowerment platforms.
- The companies in our Private Equity portfolio are all trading in line with expectations and the outlook remains positive.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a 28.7% increase in operating profit to R449 million (2007: R349 million), largely as a result of a strong increase in net interest income and a solid performance from some of the investments within the central funding portfolio.

Risk management and corporate governance

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures ("IFRS 7"), and disclosures on capital required by International Accounting Standard 1 - Presentation of Financial Statements ("IAS 1") are included within this section of the annual report (page 13 to page 58) with further disclosures provided within the financial statements section (page 80 to page 135). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

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

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

Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk 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 growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group.

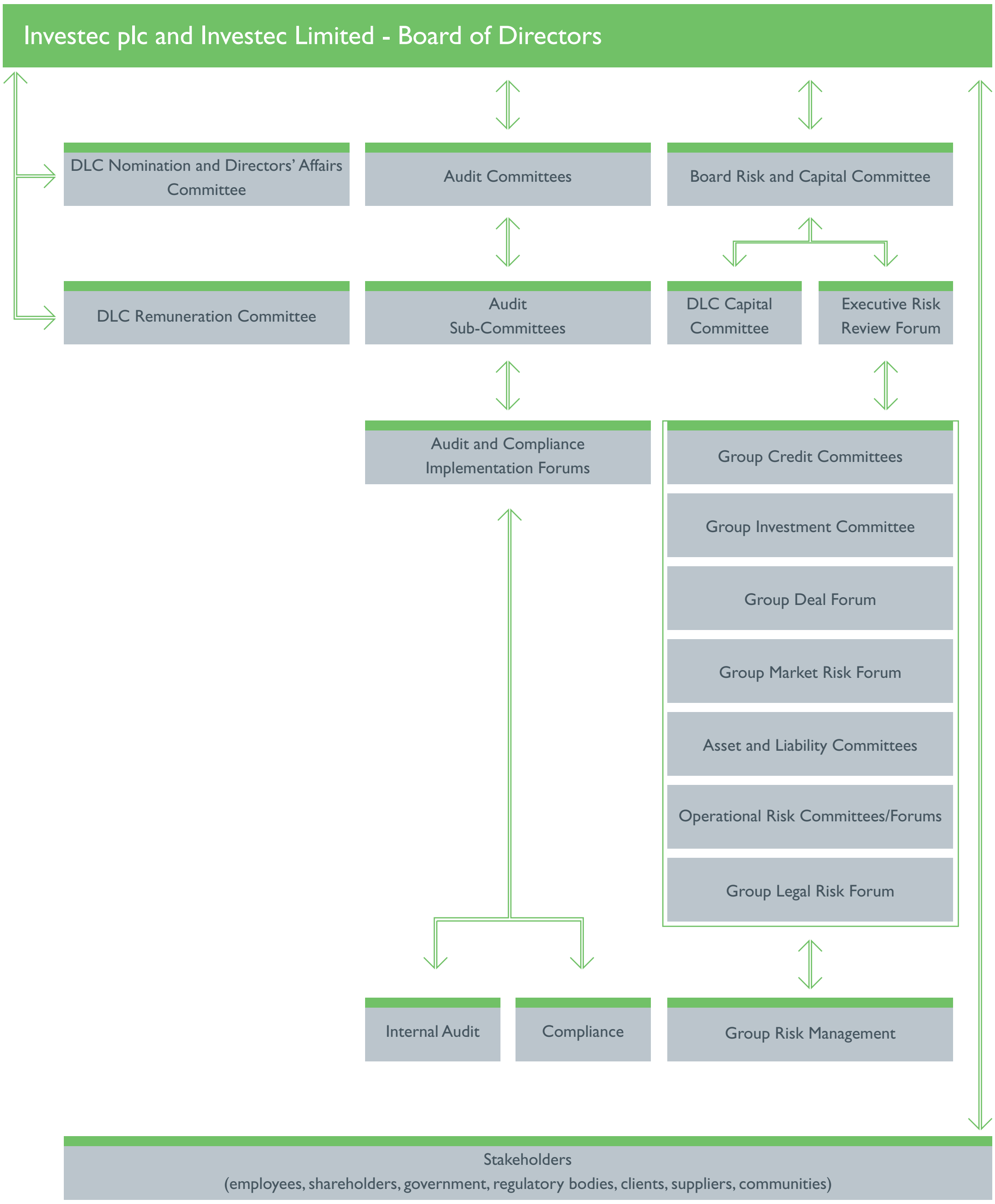
Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture.
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently.
- Aggregate and monitor our exposure across risk classes.
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions.
- Give the boards reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled.
- Facilitate various risk committees, as mandated by the board.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level. These committees and forums operate together with Group Risk Management and are mandated by the board. A diagram of our governance and risk framework is provided below.



Risk management

Note:
In the sections that follow the following abbreviations are used on numerous occasions:
BRCC - Board Risk and Capital Committee
ERRF - Executive Risk Review Forum
SARB - South African Reserve Bank

An overview of key risks, policies and procedures

In our ordinary course of business we face a number of risks that could affect our business operations. These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas. For additional information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 17 to 38.
• Liquidity risk may impair our ability to fund our operations	See pages 45 to 47.
• Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 42 to 45 and page 48.
• Market conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 39 to 42.
• We may be unable to recruit, retain and motivate key personnel	See our business responsibility website.
• Employee misconduct could cause harm that is difficult to detect	See pages 48 to 51.
• Operational risk may disrupt our business or result in regulatory action	See pages 48 to 51.
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 48 to 51.
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 52 to 57.
• The financial services industry in which we operate is intensely competitive	See page 16.
• Legal and regulatory risks are substantial in our businesses	See page 51.
• Reputational and strategic risk	See page 51.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risk factors.

Key markets indicators

The table below provides on overview of some key statistics that should be considered when reviewing the developments within each area of risk.

Audited

	31 March 2008 period end	31 March 2007 period end	Average over the period
Market indicators			
FTSE All share	2 927	3 283	3 245
JSE All share	29 588	27 267	28 978
Australia All ords	5 410	5 979	6 190
S&P 500	1 323	1 421	1 459
Nikkei	12 526	17 288	16 038
Dow Jones	12 263	12 481	13 163
Exchange rates			
Rand/Pounds Sterling	16.17	14.20	14.31
Rand/Dollar	8.09	7.26	7.12
US Dollar/Euro	1.58	1.34	1.42
Euro/Pounds Sterling	1.25	1.47	1.42
Australian Dollar/Pounds Sterling	2.18	2.42	2.32
US Dollar/Pounds Sterling	1.99	1.96	2.01
Rates			
UK overnight	5.55%	5.33%	5.63%
UK 10 year	4.34%	4.97%	4.86%
UK Clearing Banks Base Rate	5.25%	5.25%	5.54%
LIBOR - 3 month	6.01%	5.62%	6.05%
SA R153 (2010)	9.71%	8.18%	9.05%
SA R157 (2015)	9.22%	7.84%	8.40%
Rand overnight	10.60%	8.59%	9.70%
SA prime overdraft rate	14.50%	12.50%	13.61%
JIBAR - 3 month	11.38%	9.18%	10.38%
Reserve Bank of Australia cash target rate	7.25%	6.25%	6.57%
US 10 year	3.41%	4.65%	4.36%
Commodities			
Gold	$917/oz	$664/oz	$769/oz
Gas Oil	$969	$592	$429
Platinum	$1 996/oz	$1 243/oz	1 484/oz
Macro-economic			
South Africa GDP (% real growth over the calendar year)	5.1%	5.4%	n/c
South Africa per capita GDP (real value) (R)	25 499	24 498	

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

Credit and counterparty risk management

Credit and counterparty risk description

Audited

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when our 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 governance structure

Audited

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board approved delegated limits, policies and procedures. There is a high level of executive and non-executive involvement in the credit decision making forums. It is policy that all sanctioning credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter a transaction are based on unanimous consent.

In addition to the Group Credit Committee, the following structures assist in managing, measuring and monitoring credit and counterparty risk:

- Day to day arrears management and regular arrears reporting, ensures that individual positions and any potential trends are dealt with in a timely manner.
- Watchlist Committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision.
- Corporate Watch Forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements.

We do not have a separate country risk forum. When applications are submitted to the local group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk.

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer page 38 for further information).

Risk management

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and long-standing relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them (refer to page 21 for further information).

In order to allow activity in all product areas and markets, pricing is motivated by the relevant business unit on a transaction by transaction basis, with consideration given to the manner of origination of the asset and the forward strategy for the asset. Pricing recommendations are discussed and agreed at the appropriate credit committee to ensure that reward is appropriate to the risk and that pricing is not compromised in the pursuit of volume or relationship. As a consequence of market behaviour, pricing for similar risk may differ from time to time.

Management and measurement of credit and counterparty risk

Audited

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market.
- A quantitative and qualitative assessment of the creditworthiness of our counterparties.
- Appropriate independent due diligence.
- Analysis of all related risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty, and geographical concentration).
- Prudential limits.
- Regular monitoring and review of existing and potential exposures once facilities have been approved.
- A high level of executive involvement in decision-making with non-executive review and oversight.

Consistent, regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents and implemented by our Group Credit division.

Despite strict adherence to the above principles increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility.

A large proportion of the book is not rated by external rating agencies. As a result we mainly place reliance upon internal considerations of counterparties and borrowers, and use ratings prepared externally where available for support. Within the credit approval process all available internal and external ratings are included in the assessment of the client quality.

Fitch, Standard and Poors and Moody's have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to banks and securities firms, Fitch has been selected by us as the primary ECAI, with Standard & Poors being used as support where a Fitch rating is not available.
- In relation to sovereigns, corporates and small to medium enterprises, both Standard & Poors and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied.

Credit and counterparty risk in South Africa

Credit and counterparty risk is assumed mainly through the Private Bank, Capital Markets, and Asset Finance (ReichmansCapital) divisions.

Private Banking

Lending products are primarily offered through our structured property and growth and acquisition finance activities, and are targeted to meet the requirements of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been defined to include high net worth clients (who through diversification of income streams will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of stage in the economic cycle.

The combination of low probability of default clients (due to our niche focus) and appropriate loan to value ratios results in a low level of expected loss which has been borne out by historical experience of actual losses.

Residential mortgages and commercial property make up the bulk of the lending exposure. Exposure to commercial and retail properties is at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants. Exposure to the South African property market is regionally diversified (Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth). Serviceability of a loan advanced against property (and not only asset value) and quality of the client are primary considerations in the credit assessment process.

Capital Markets

Investec Corporate Treasury provides money market and foreign exchange products to corporates and institutions. We are an active market maker in the spot and forward US Dollar/Rand interbank markets. Trading transactions giving rise to issuer, settlement and replacement risk were among the primary areas of potential credit and counterparty risk in the year under review. Simulation based methodologies have been implemented for the majority of the corporate treasury product offering, the benefit of which is the identification of increases in exposures as a result of changes in volatility and prices and the identification of roll-off risk.

The Specialised Finance, Project Finance and Resource Finance businesses lend money on a structured basis to corporates, government and institutions, with full recourse to either a suitable asset or to the balance sheet of the entity to which the funds are advanced. Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Credit limits are set for each counterparty and monitored to ensure risk is mitigated. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security, cash flow and, in the case of trading products, the nature of the underlying security traded.

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Extensive knowledge of Africa (which represents the bulk of the exposure in this business unit), good technical and financial skills and strong adherence to prudent country risk limits ensure that concentration risks are well managed. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II), since recourse in the event of default will be to the total assets of the corporate and not merely the resources being financed. Transactions are structured so that scenarios resulting in increased exposure coincide with increased profitability of the entity being financed and thus a relatively stable expected loss.

Due to the relative illiquidity of the credit derivative market in South Africa, counterparty exposures and mitigation benefits obtained as a result of credit derivative transactions are negligible.

ReichmansCapital

ReichmansCapital is an asset finance business which operates on a premium margin business model for small and medium sized corporates. The business is a relatively small portion of the overall group credit exposure.

Credit and counterparty risk in Mauritius

Investec Bank (Mauritius) Limited offers various banking services and its primary business activities are corporate lending, property finance, resource finance and structured finance. Target market includes both corporate and private clients. Prudential limits have been set and are monitored daily. Investec Bank (Mauritius) Limited is a subsidiary of Investec Bank Limited. It has a decentralised credit approval and management process in compliance with our group credit philosophy, policy and procedures.

Asset quality analysis - credit risk classification and provisioning policy

Audited

It is a policy requirement that each operating division overseen by central credit management makes provision for specific impairments and calculates the appropriate level of portfolio impairments promptly when required and on a consistent basis. This is in accordance with established group guidelines and in conjunction with the Watchlist and Impairments Committee policy and process. In the financial statements, credit losses and impairments are reported in accordance with IFRS.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 30). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of credit risky assets where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Risk management

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	• Accounts greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. • Management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	• Counterparty is considered to be experiencing difficulties that may threaten its ability to fulfil its credit obligation to the group (i.e. Credit Committee is concerned). • The following reasons may result in an exposure being classified as "Special mention": - Covenant breaches - There is a slowdown in the counterparty's business activity - An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Ultimate loss is not expected, but may occur if adverse conditions persist. • Supplementary reporting categories: - Credit exposures overdue 1 to 60 days and management concerned - Credit exposures overdue 61 to 90 days, although management may not be concerned
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Business unit's exposure to the customer. • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business. • Likely dividend or amount recoverable on liquidation or bankruptcy. • Nature and extent of claims by other creditors. • Amount and timing of expected cash flows. • Realisable value of security held (or other credit mitigants). • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	• Credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. • The risk that such credit exposure may become an impaired asset is probable. • The bank is relying, to a large extent, on available collateral. • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. • Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category).
		Doubtful	• Credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure. • In addition specific impairments may be raised.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default		Loss	• Credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted. • Ultimately these items will be written off, but the asset will be held until it is appropriate to write off. • These assets should carry an appropriate impairment.

Securitisation/principal finance activities and exposures

In South Africa, our securitisation business, which forms part of our Structured Finance unit, was established approximately seven 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. In certain of these transactions we act as liquidity provider. We have also recently focused on the development of securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to these intermediaries. Furthermore, we have securitised assets we have originated 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 R2.1 billion (2007: R8.6 billion). These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to page 118.

Credit risk mitigation Audited

Collateral is always assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be held physically and valued relative to the market.

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property underpinned by strong third party leases. Residential property is also generally of a high quality, reflecting clients' appetite for investments in desirable locations. In the period under review, there was downward pressure on the value of commercial and residential real estate as a result of the global economic slowdown. This has resulted in an increased focus on residential and commercial property valuations.

It is our policy to obtain a formal valuation, performed by an approved valuer, of every property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all commercial properties held as collateral on a regular basis, at the discretion of the credit committee. Other common forms of collateral in the retail asset class are motor vehicles, cash, shares and share portfolios.

Property is split between residential and commercial classes with commercial consisting of investment and development sub classes. Development property is further analysed into Residential land, Residential buildings, Commercial Industrial, Commercial Retail and Commercial Office.

We maintain strict liquidity policies with respect to financial collateral, which is thus considered to be liquid. There has been a decline in the liquidity of real estate markets albeit that the concentration of the underlying property collateral is in areas which have historically exhibited resistance to adverse economic conditions.

The majority of credit mitigation within our Treasury activities is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where netting agreements have been signed and the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements is stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists; and
- There is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty.
- Debit and credit balances be denominated in the same currency and have identical maturities.
- Exposures subject to set-off are risk managed on a net basis.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these financial statements but reported on a gross basis to regulators.

An analysis of collateral is provided on page 38.

Credit and counterparty risk year in review

Basel II

As of 1 January 2008 Investec Limited and its subsidiaries have been reporting to banking regulators in accordance with Basel II under the Standardised Approach for credit risk. Internally the focus towards the end of the financial year has shifted from compliance to entrenching internal capital processes at all levels in the organisation. We have leveraged off the changes required in terms of Basel II and taken the opportunity to refine and improve some of our risk management techniques.

Over the past financial year, a number of financial market trends had an impact on the assessment of our credit and counterparty risk. These trends include:

- Continued upward pressure on interest rates (the prime lending rate increased from 12.5% at 31 March 2007 to 14.5% at 31 March 2008).
- High levels of Rand volatility and a depreciation in the Rand against the US Dollar despite the US Dollar losing ground against the Euro.
- Highly volatile and high real prices of oil and metals (both base and precious).
- Volatile equity markets and low or negative real growth of residential and commercial property.

While the South African property market has been more resilient than that of the more established first world economies it has come under pressure towards the end of the year under review. We are conscious of the potential effect of the combination of a slowdown of growth in the property market (both global and local) and upward pressure on interest rates.

The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values, should a declining trend continue to occur in the future. Over the past few years as property values increased, these clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values. For assets put on book during the current year there has been strict adherence to lower loan to value lending. As at 31 March 2008 average loan to value ratios within the property development book were around 55% to 60% (in line with the prior year).

As detailed above, the Rand has devalued against the US Dollar over the past year and has shown higher levels of volatility compared to the prior year. An increase in client flow, together with greater hedging activity (due to higher levels of volatility), has resulted in increased profitability and exposure in the Treasury Foreign Exchange business.

For both interest rate and foreign exchange products rate simulation methodologies are employed which enable us to identify more accurately the level of potential exposures to counterparties for these trading activities. The methodologies recognise volume of trading, volatility of products traded, deal tenor and credit mitigants in deriving granular counterparty exposure profiles (and, in so doing, allow for roll-off risk assessments).

The core loan portfolio increased by 24.5% to R96.8 billion. The quality of the overall loan portfolio in Southern Africa remains satisfactory with gross default loans as a percentage of total loans of decreasing from 1.3% to 1.0%.

Credit and counterparty risk information

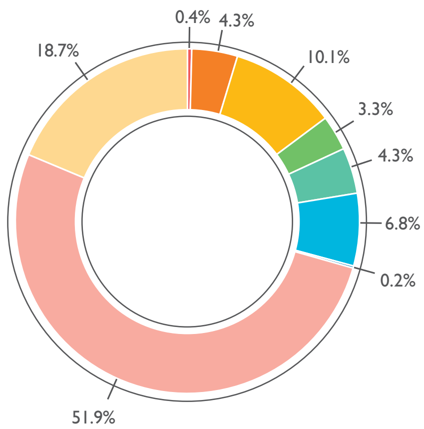
Pages 17 to 38 describe where and how credit and counterparty risk is exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

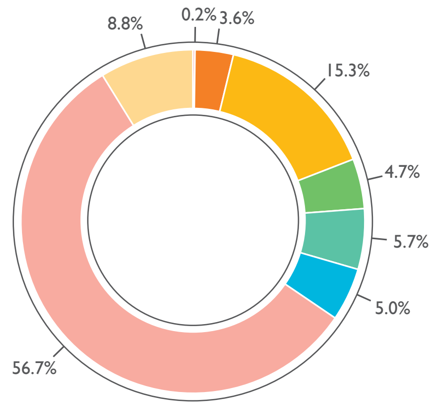
R'million Audited	31 March 2008	31 March 2007	% change	Average* for the year ended 31 March 2008
On balance sheet exposures	**152 025**	**125 589**	**21.0%**	**138 810**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	653	209	>100.0%	431
Unrated instruments	205	209	(1.9%)	207
Other	448	-	-	224
Debt instruments (NCDs, bonds held, debentures)	8 051	5 000	61.0%	6 526
Bank placements	18 828	21 078	(10.7%)	19 955
Sovereign, government placements	6 251	6 450	(3.1%)	6 351
Call facilities (non-bank entities)	7 975	7 874	1.3%	7 923
Trading exposures (positive fair value excluding potential future exposures)	12 737	6 918	84.1%	9 828
Other credit exposures	369	-	-	185
Gross core loans and advances to customers**	97 161	78 060	24.5%	87 611
Off balance sheet exposures	**35 031**	**12 173**	**>100.0%**	**23 602**
Guarantees	5 467	4 607	18.7%	5 037
Contingent liabilities, committed facilities and other	29 564	7 566	>100.0%	18 565
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**187 056**	**137 762**	**35.8%**	**162 409**

* Where the average is based on a straight line average.
** As calculated on page 30.

31 March 2008



31 March 2007



- Securitisation exposures
- Debt instruments
- Bank placements
- Sovereign, government placements
- Call facilities (non-bank entities)
- Trading exposures
- Other credit exposures
- Gross core loans and advances to customers
- Off balance sheet 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 Audited	Securitisation exposures arising from securitisation/principal finance activities			Debt instru-ments (NCDs, bonds held, debentures)
	Total	Unrated instruments	Other	
As at 31 March 2008				
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	-	-	-	-
Trading securities	205	205	-	8 051
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	448	-	448	-
Securitised assets	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment property	-	-	-	-
Intangible assets	-	-	-	-
Intergroup	-			
Total	**653**	**205**	**448**	**8 051**
As at 31 March 2007				
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	-	-	-	-
Trading securities	209	209	-	5 000
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	-	-	-	-
Securitised assets	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment property	-	-	-	-
Intangible assets	-	-	-	-
Intergroup				
Total	**209**	**209**	**-**	**5 000**

* Relates to impairments. Further information is provided on page 117.

** 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 exposure of the bank.

Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers (before impairments)	Total credit and counter-party exposure	Assets that we deem to have no credit exposure	Total balance sheet
10	2 777	-	24	-	-	2 811	-	2 811
13 957	-	-	461	-	-	14 418	-	14 418
-	-	7 782	-	-	-	7 782	-	7 782
1 627	-	193	2 576	-	-	4 396	1 356	5 752
3 232	3 474	-	25	239	-	15 226	2 687	17 913
-	-	-	9 464	-	-	9 464	204	9 668
-	-	-	-	-	-	-	350	350
-	-	-	-	-	95 010	95 458	*(437)	95 021
-	-	-	-	-	2 151	2 151	**4 124	6 275
-	-	-	-	-	-	-	285	285
2	-	-	187	130	-	319	737	1 056
-	-	-	-	-	-	-	195	195
-	-	-	-	-	-	-	144	144
-	-	-	-	-	-	-	5	5
-	-	-	-	-	-	-	75	75
-	-	-	-	-	-	-	5 812	5 812
18 828	6 251	7 975	12 737	369	97 161	152 025	15 537	167 562
6	836	-	9	-	-	851	-	851
20 141	-	-	-	-	-	20 141	-	20 141
-	-	6 078	441	-	-	6 519	695	7 214
547	-	1 796	573	-	-	2 916	-	2 916
383	5 614	-	246	-	-	11 452	2 020	13 472
-	-	-	5 482	-	-	5 482	211	5 693
-	-	-	-	-	-	-	29	29
-	-	-	-	-	69 485	69 485	*(311)	69 174
-	-	-	-	-	8 575	8 575	**3 232	11 807
-	-	-	-	-	-	-	263	263
1	-	-	167	-	-	168	894	1 062
-	-	-	-	-	-	-	221	221
-	-	-	-	-	-	-	104	104
-	-	-	-	-	-	-	3	3
-	-	-	-	-	-	-	61	61
-	-	-	-	-	-	-	9 753	9 753
21 078	6 450	7 874	6 918	-	78 060	125 589	17 175	142 764

Breakdown 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	Business service
As at 31 March 2008					
On balance sheet exposures	**61 797**	**1 118**	**459**	**1 304**	**6 185**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Other	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	43	53	-
Bank placements	-	-	-	-	-
Sovereign, government placements	-	-	-	-	-
Call facilities (non-bank entities)	-	282	62	15	1 175
Trading exposures (positive fair value excluding potential future exposures)	-	10	19	142	16
Other credit exposures	-	-	-	-	207
Gross core loans and advances to customers	61 797	826	335	1 094	4 787
Off balance sheet exposures	**25 167**	**-**	**1**	**32**	**2**
Guarantees	4 065	-	1	32	2
Contingent liabilities,committed facilities and other	21 102	-	-	-	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**86 964**	**1 118**	**460**	**1 336**	**6 187**
As at 31 March 2007					
On balance sheet exposures	**52 425**	**488**	**1 249**	**3 120**	**2 948**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Rated instruments	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	1	89	-
Bank placements	-	-	-	547	-
Sovereign, government placements	-	-	-	-	-
Call facilities (non-bank entities)	-	281	81	1 579	341
Trading exposures (positive fair value excluding potential future exposures)	-	-	117	-	760
Other credit exposures	-	-	-	-	-
Gross core loans and advances to customers	52 425	207	1 050	905	1 847
Off balance sheet exposures	**5 636**	**-**	**119**	**25**	**-**
Guarantees	3 917	-	1	25	-
Contingent liabilities,committed facilities and other	1 719	-	118	-	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**58 061**	**488**	**1 368**	**3 145**	**2 948**

* Largely relating to our securitisation/principal finance activities.

Finance and insurance	Retailers and whole-salers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, enter-tainment and tourism	Transport and communi-cation	Other*	Total
56 540	**3 523**	**8 083**	**3 399**	**2 288**	**2 176**	**4 948**	**205**	**152 025**
448	-	-	-	-	-	-	205	653
-	-	-	-	-	-	-	205	205
448	-	-	-	-	-	-	-	448
7 955	-	-	-	-	-	-	-	8 051
18 828	-	-	-	-	-	-	-	18 828
6 251	-	-	-	-	-	-	-	6 251
1 499	1 442	2 454	25	41	-	980	-	7 975
11 757	46	129	307	310	-	1	-	12 737
108	6	43	-	-	-	5	-	369
9 694	2 029	5 457	3 067	1 937	2 176	3 962	-	97 161
6 636	**84**	**1 216**	**240**	**485**	**81**	**1 087**	**-**	**35 031**
482	84	495	213	93	-	-	-	5 467
6 154	-	721	27	392	81	1 087	-	29 564
63 176	**3 607**	**9 299**	**3 639**	**2 773**	**2 257**	**6 035**	**205**	**187 056**
45 535	**1 705**	**8 592**	**2 689**	**1 332**	**1 760**	**3 537**	**209**	**125 589**
-	-	-	-	-	-	-	209	209
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	209	209
4 876	-	-	-	-	-	34	-	5 000
20 531	-	-	-	-	-	-	-	21 078
6 450	-	-	-	-	-	-	-	6 450
822	576	3 055	25	171	-	943	-	7 874
5 257	4	30	502	156	-	92	-	6 918
-	-	-	-	-	-	-	-	-
7 599	1 125	5 507	2 162	1 005	1 760	2 468	-	78 060
5 388	**82**	**455**	**55**	**183**	**152**	**78**	**-**	**12 173**
299	26	284	36	12	-	7	-	4 607
5 089	56	171	19	171	152	71	-	7 566
50 923	**1 787**	**9 047**	**2 744**	**1 515**	**1 912**	**3 615**	**209**	**137 762**

Breakdown of gross credit and counterparty exposures by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
HNW and professional individuals	61 797	52 425	25 167	5 636	86 964	58 061
Agriculture	826	207	292	281	1 118	488
Electricity, gas and water (utility services)	335	1 050	125	318	460	1 368
Public and non-business services	1 094	905	242	2 240	1 336	3 145
Business service	4 787	1 847	1 400	1 101	6 187	2 948
Finance and insurance	9 694	7 599	53 482	43 324	63 176	50 923
Retailers and wholesalers	2 029	1 125	1 578	662	3 607	1 787
Manufacturing and commerce	5 457	5 507	3 842	3 540	9 299	9 047
Real estate	3 067	2 162	572	582	3 639	2 744
Mining and resources	1 937	1 005	836	510	2 773	1 515
Leisure, entertainment and tourism	2 176	1 760	81	152	2 257	1 912
Transport and communication	3 962	2 468	2 073	1 147	6 035	3 615
Other	-	-	205	209	205	209
Total	**97 161**	**78 060**	**89 895**	**59 702**	**187 056**	**137 762**

* Largely relating to our principal finance/securitisation activities.

Breakdown of 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 years	Total
As at 31 March 2008						
On balance sheet exposures	**64 409**	**6 827**	**13 713**	**37 978**	**29 098**	**152 025**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	448	5	200	653
Unrated instruments	-	-	-	5	200	205
Other	-	-	448	-	-	448
Debt instruments (NCDs, bonds held, debentures)	4 969	957	2 125	-	-	8 051
Bank placements	18 610	17	-	-	201	18 828
Sovereign, government placements	4 264	1 666	321	-	-	6 251
Call facilities (non-bank entities)	7 975	-	-	-	-	7 975
Trading exposures (positive fair value excluding potential future exposures)	12 672	-	-	55	10	12 737
Other credit exposures	66	-	2	62	239	369
Gross core loans and advances to customers	15 853	4 187	10 817	37 856	28 448	97 161
Off balance sheet exposures	**5 608**	**988**	**22 004**	**5 110**	**1 321**	**35 031**
Guarantees	1 333	592	608	1 613	1 321	5 467
Contingent liabilities,committed facilities and other	4 275	396	21 396	3 497	-	29 564
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**70 017**	**7 815**	**35 717**	**43 088**	**30 419**	**187 056**
As at 31 March 2007						
On balance sheet exposures	**44 426**	**6 594**	**10 947**	**32 489**	**31 133**	**125 589**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	6	203	209
Unrated instruments	-	-	-	6	203	209
Other	-	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	1 649	1 105	2 246	-	-	5 000
Bank placements	20 620	-	461	-	-	21 081
Sovereign, government placements	3 916	1 033	1 143	358	-	6 450
Call facilities (non-bank entities)	7 871	-	-	-	-	7 871
Trading exposures (positive fair value excluding potential future exposures)	4 652	104	126	1 046	990	6 918
Other credit exposures	-	-	-	-	-	-
Gross core loans and advances to customers	5 718	4 352	6 971	31 079	29 940	78 060
Off balance sheet exposures	**4 875**	**564**	**5 636**	**1 013**	**85**	**12 173**
Guarantees	333	552	3 301	336	85	4 607
Contingent liabilities,committed facilities and other	4 542	12	2 335	677	-	7 566
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**49 301**	**7 158**	**16 583**	**33 502**	**31 218**	**137 762**

Asset quality and impairments

Audited

Core loans and advances to customers

In order to assess and analyse the credit risk associated with loans and advances we believe that certain adjustments should be made to the category "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 value that reflects actual core lending activities. In this regard the following methodology has been applied:

- 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.
- Warehouse funding facilities and warehouse assets arising out of our Securitisation and Principal Finance activities have been deducted. The risks associated with our Securitisation and Principal Finance activities are discussed in detail on page 21.

Calculation of core loans and advances to customers

R'million Audited	31 March 2008	31 March 2007
Loans and advances to customers per balance sheet (before impairments)	95 458	69 485
Less: warehouse facilities and warehouse assets arising out of our Securitisation and Principal Finance activities	(448)	-
Add: own-originated securitised assets	2 151	8 575
Gross core loans and advances to customers (before impairments)	**97 161**	**78 060**

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

Overall asset quality

R'million Audited	31 March 2008	31 March 2007
Gross core loans and advances to customers	**97 161**	**78 060**
Total impairments	**(372)**	**(310)**
Portfolio impairments	(72)	(73)
Specific impairments	(300)	(237)
Net core loans and advances to customers	**96 789**	**77 750**
Current loans and advances to customers	94 834	74 584
Total gross non-current loans and advances to customers	2 327	3 476
Past due loans and advances to customers (1-60 days and management not concerned)	1 132	2 042
Special mention loans and advances to customers	222	407
Default loans and advances to customers	973	1 027
Gross core loans and advances to customers	**97 161**	**78 060**
Total gross non-current core loans and advances to customers (actual capital exposure)	**2 327**	**3 476**
Gross core loans and advances to customers that are past due but not impaired	1 354	2 615
Gross core loans and advances to customers that are impaired	973	861
Total gross non-current core loans and advances to customers (actual amount in arrears)	**565**	**707**
Bad debts written off during the period	**(333)**	**(123)**
Gross default loans and advances to customers	973	1 027
Collateral and other credit enhancements	1 281	1 075
Specific impairments	(300)	(237)
Net default loans and advances to customers (limited to zero)	**-**	**-**
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.31%	0.30%
Portfolio impairments as a % of gross core loans and advances to customers	0.07%	0.09%
Specific impairments as a % of gross default loans	30.83%	23.08%
Gross defaults as a % of gross core loans and advances to customers	1.00%	1.32%

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

R'million Audited	31 March 2008	31 March 2007
1 - 60 days	1 636	2 232
61 - 90 days	186	412
91 - 180 days	207	796
181 - 365 days	124	36
>365 days	174	-
Total gross non-current core loans and advances to customers (actual capital exposure)	2 327	3 476
1 - 60 days	209	435
61 - 90 days	54	17
91 - 180 days	124	241
181 - 365 days	51	14
>365 days	127	-
Total gross non-current core loans and advances to customers (actual amount in arrears)	565	707

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

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
As at 31 March 2008						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	1 156	147	9	19	24	1 354
Amount in arrears	177	28	4	13	2	224
Gross core loans and advances to customers that are impaired						
Total capital exposure	480	39	198	105	150	973
Amount in arrears	32	26	120	38	125	341
As at 31 March 2007						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	2 042	407	160	7	-	2 615
Amount in arrears	418	17	8	5	-	448
Gross core loans and advances to customers that are impaired						
Total capital exposure	190	5	636	29	-	861
Amount in arrears	17	-	233	9	-	259

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on total capital exposure)

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	**1 132**	**-**	**-**	**-**	**-**	**1 132**
Special mention	**23**	**147**	**9**	**19**	**24**	**222**
Special mention (1 - 60 days in arrears and management concerned)	23	-	*9	*19	*24	75
Special mention (61 - 90 days and item well secured)	-	147	-	-	-	147
Special mention - watchlist	-	-	-	-	-	-
Default	**481**	**39**	**198**	**105**	**150**	**973**
Sub-standard	127	6	91	48	58	330
Doubtful	333	33	107	57	92	622
Loss	21	-	-	-	-	21
Total	**1 636**	**186**	**207**	**124**	**174**	**2 327**

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on actual amount in arrears)

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	**177**	**-**	**-**	**-**	**-**	**177**
Special mention	**-**	**28**	**4**	**13**	**2**	**47**
Special mention (1 - 60 days in arrears and management concerned)	-	-	*4	*13	*2	19
Special mention (61 - 90 days and item well secured)	-	28	-	-	-	28
Special mention - watchlist	-	-	-	-	-	-
Default	**32**	**26**	**120**	**38**	**125**	**341**
Sub-standard	10	1	59	12	49	131
Doubtful	22	25	61	26	76	210
Loss	-	-	-	-	-	-
Total	**209**	**54**	**124**	**51**	**127**	**565**

* 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, our regulatory audit partner has agreed that these exposures could be classified as special mention and remain there until settled or their credit quality deteriorates.

An age analysis of gross non-current core loans and advances to customers as at 31 March 2007 (based on total capital exposure)

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	2 042	-	-	-	-	2 042
Special mention	-	407	-	-	-	407
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	407	-	-	-	407
Special mention - watchlist	-	-	-	-	-	-
Default	190	5	796	36	-	1 027
Sub-standard	-	5	399	6	-	410
Doubtful	186	-	383	21	-	590
Loss	4	-	14	9	-	27
Total	2 232	412	796	36	-	3 476

An age analysis of gross non-current core loans and advances to customers as at 31 March 2007 (based on a actual amount in arrears)

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	418	-	-	-	-	418
Special mention	-	17	-	-	-	17
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	17	-	-	-	17
Special mention - watchlist	-	-	-	-	-	-
Default	17	-	241	14	-	272
Sub-standard	-	-	81	1	-	82
Doubtful	17	-	157	4	-	178
Loss	-	-	3	9	-	12
Total	435	17	241	14	-	707

An analysis of core loans and advances to customers

R'million Audited	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)
At 31 March 2008				
Current core loans and advances	94 834	-	-	94 834
Past due (1-60 days and management not concerned)	-	1 132	-	1 132
Special mention	-	222	-	222
Special mention (1 - 60 days in arrears and management concerned)	-	75	-	75
Special mention (61 - 90 days and item well secured)	-	147	-	147
Special mention - watchlist	-	-	-	-
Default	-	-	973	973
Sub-standard	-	-	330	330
Doubtful	-	-	622	622
Loss	-	-	21	21
Total	94 834	1 354	973	97 161
At 31 March 2007				
Current core loans and advances	74 584	-	-	74 584
Past due (1-60 days and management not concerned)	-	2 042	-	2 042
Special mention	-	407	-	407
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	407	-	407
Special mention - watchlist	-	-	-	-
Default	-	166	861	1 027
Sub-standard	-	17	393	410
Doubtful	-	149	441	590
Loss	-	-	27	27
Total	74 584	2 615	861	78 060

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears	Bad debts written off during the period
-	(44)	94 790	-	46
-	(26)	1 106	177	-
-	(2)	220	47	-
-	(1)	74	19	-
-	(1)	146	28	-
-	-	-	-	-
(300)	-	673	342	(379)
-	-	330	131	-
(288)	-	334	210	(28)
(12)	-	9	-	(351)
(300)	(72)	96 789	565	(333)
-	(52)	74 531	-	-
-	(19)	2 023	418	-
-	(1)	406	17	-
-	-	-	-	-
-	(1)	406	17	-
-	-	-	-	-
(237)	(1)	790	271	(123)
(83)	-	327	82	-
(123)	(1)	467	178	(4)
(31)	-	(4)	12	(119)
(237)	(73)	77 750	707	(123)

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

R'million Audited	Current core loans and advances	Past due (1-60 days and management not concerned)	Special mention (1 - 60 days in arrears and management concerned)	Special mention (61 - 90 days and item well secured)	Special mention - watchlist
As at 31 March 2008					
Private Banking professional and HNW individuals	64 338	1 021	75	128	-
Corporate sector	18 892	-	-	-	-
Banking, insurance, financial institutions (excluding sovereign)	9 694	-	-	-	-
Public and government sector (including central banks)	1 094	-	-	-	-
Trade finance	814	111	-	19	-
Other	2	-	-	-	-
Total gross core loans and advances to customers	94 834	1 132	75	147	-
As at 31 March 2007					
Private Banking professional and HNW individuals	53 346	1 689	-	324	-
Corporate sector	12 394	-	-	50	-
Banking, insurance, financial institutions (excluding sovereign)	7 599	-	-	-	-
Public and government sector (including central banks)	905	-	-	-	-
Trade finance	333	353	-	33	-
Other	7	-	-	-	-
Total gross core loans and advances to customers	74 584	2 042	-	407	-

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

R'million Audited	31 March 2008	31 March 2007
Private Banking professional and HNW individuals	66 460	56 001
Corporate sector	18 911	12 787
Banking, insurance, financial institutions (excluding sovereign)	9 694	7 599
Public and government sector (including central banks)	1 094	905
Trade finance	1 000	761
Other	2	7
Total gross core loans and advances to customers	97 161	78 060

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments	Bad debts written off in period
330	547	21	66 460	(40)	(252)	(292)	(49)
-	19	-	18 911	(27)	(19)	(46)	(284)
-	-	-	9 694	-	-	-	-
-	-	-	1 094	-	-	-	-
-	56	-	1 000	-	(29)	(29)	-
-	-	-	2	(5)	-	(5)	-
330	**622**	**21**	**97 161**	**(72)**	**(300)**	**(372)**	**(333)**
410	210	22	56 001	(42)	(153)	(195)	(35)
-	338	5	12 787	(31)	(64)	(95)	(86)
-	-	-	7 599	-	-	-	
-	-	-	905	-	-	-	
-	42	-	761	-	(20)	(20)	(2)
-	-	-	7	-	-	-	
410	**590**	**27**	**78 060**	**(73)**	**(237)**	**(310)**	**(123)**

Collateral

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

As at 31 March 2008 R'million	Collateral held against Gross core loans and advances	 Other credit and and counterparty exposures*	Total
Eligible financial collateral	**15 157**	**5 294**	**20 451**
Cash	2 233	259	2 492
Debt securities issued by sovereigns	137	1 755	1 892
Shares	12 787	3 280	16 067
Mortgage bonds	**112 921**	**65**	**112 986**
Residential property collateral	40 266	42	40 308
Commercial property collateral	3 614	-	3 614
Commercial property development collateral	69 041	23	69 064
Other collateral	**69 999**	**4 698**	**74 697**
Bonds other than mortgage bonds	5 191	-	5 191
Asset finance collateral	620	-	620
Guarantees	9 384	-	9 384
Credit derivatives	442	-	442
Other	54 362	4 698	59 060
Total collateral	**198 077**	**10 057**	**208 134**

* 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.

Traded market risk management

Traded market risk description Audited

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 philosophy is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure Audited

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A Global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies.

Risk limits are reviewed and set at the Global Market Risk Forum and ratified at the ERRF. Limits are reviewed either annually, in the event of a significant market event (e.g. 11 September 2001), or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk. These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Trading is also limited to the most liquid instruments and 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) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 95%, 99% and 100% (maximum loss) confidence intervals. ETLs are monitored 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.

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

VaR 95% (one-day)

R'million

Audited

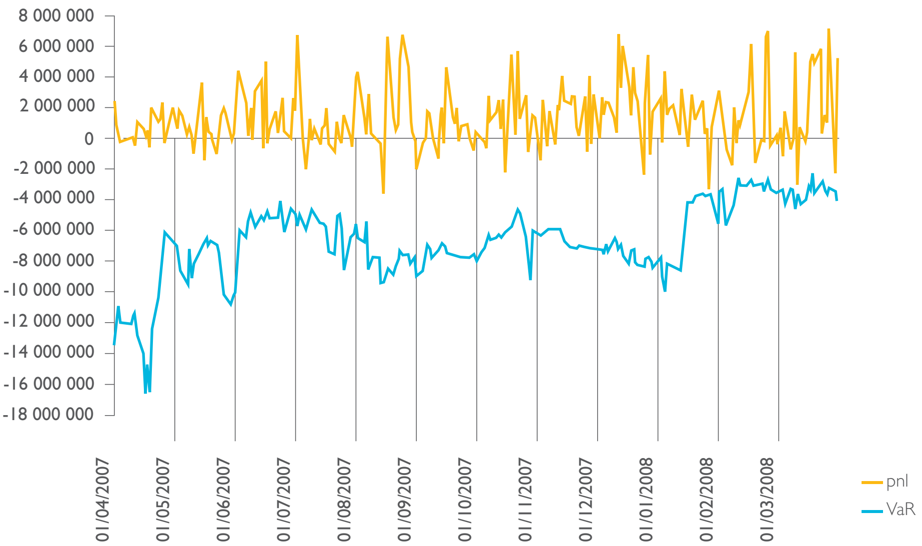
31 March 2008	
Commodities	0.4
Equity derivatives	3.1
Foreign exchange	1.8
Interest rates	0.4
Consolidated*	**2.5**
High	8.6
Low	1.4
Average	3.8
31 March 2007	
Commodities	0.4
Equity derivatives	5.9
Foreign exchange	0.9
Interest rates	0.6
Consolidated*	**6.1**

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

The graph below shows total daily VaR and profit and loss figures for our trading activities over the reporting period. The values 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.

Investec Bank Limited

99% 1-day VaR backtesting (Rands)



There have been no exceptions over the past year. The model would expect around 2 to 3 exceptions per annum.

ETL 95% (one-day)

R'million

Audited

31 March 2008	
Commodities	0.5
Equity derivatives	5.0
Foreign exchange	2.7
Interest rates	0.7
Consolidated*	**4.2**
31 March 2007	
Commodities	0.7
Equity derivatives	8.3
Foreign exchange	2.4
Interest rates	0.8
Consolidated*	**8.9**

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

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions (15 standard deviations).

R'million

Audited

31 March 2008	
Commodities	3.1
Equity derivatives	23.7
Foreign exchange	13.8
Interest rates	3.1
Consolidated	**43.7**
31 March 2007	
Commodities	2.8
Equity derivatives	45.2
Foreign exchange	7.2
Interest rates	4.9
Consolidated	**60.1**

Traded market risk mitigation

The Market Risk Management team is located outside the dealing room, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals as well as "disaster" scenarios where the 15 standard deviation adverse market move is considered. Historical VaR is used (500 days of un-weighted data), where every "risk factor" is exposed to daily moves over the past year. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity, buckets and option sensitivities ("greeks"). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

Traded market risk year in review

In South Africa, we use our internal models for market risk measurement which in effect puts us at the level of the advanced approach for Basel II. In terms of this model, trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack will be submitted to the regulator on a monthly basis.

The past year was characterised by strong, albeit volatile, growth in the equity, commodity and bond markets. These market conditions, coupled with good client flows and product sales, resulted in strong performances from the South African trading operations. The model of concentrating on client flow proved very successful with the good results being obtained with relatively low risk taking.

Market risk - derivatives

Audited

We enter various derivatives contracts, both as principal for trading purposes and as customer for hedging foreign exchange, commodity, equity and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 114 and 115.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure

Management believes that a centralised framework permits global identification and coordination of Balance Sheet risk. Asset and liability oversight is centralised within each geography, using regional expertise and local market access as appropriate. Regional Asset and Liability Management Committees (ALCOs) are mandated by their respective boards of directors and the group to manage the balance sheet risks on a consistent basis with pre-approved principles and policies. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds determine the risk appetite for the region. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements. Group liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Branches and subsidiaries have no responsibility for contributing to group liquidity.

We continue to improve risk measurement processes and methodologies in line with Basel II requirements. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing independent governance and oversight of the Treasury activities (within the Capital Markets division) and the execution of our policy to management, ALCO, ERRF, BRCC and the board. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues (including identification and testing of various company-specific and market-driven stress scenarios) through daily liquidity reporting and scenario analysis which quantify our positions. The governance framework adopted for the management of structural interest rate risk in the banking book mirrors that of liquidity risk. The risk is transferred to and managed within our Treasury operations.

Balance sheet risk mitigation

The Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral. The Treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. The Treasury function is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

Balance Sheet Risk Management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value under various scenarios covering a spectrum of events in which we could find ourselves and prepare accordingly. The modelling process is supported by ongoing technical and economic analysis. The result is formally reported to management, ERRF, BRCC and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

An active presence is maintained in professional markets and each jurisdiction manages the wholesale money market capacity for our name, supported by efforts in relationship management with corporate and institutional clients. Important factors in assuring liquidity are competitive rates, the maintenance of depositors' confidence and our reputation.

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 increases or decreases 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, yield curves and spreads. 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.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and can be an important source of shareholder value. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally we are exposed to curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed from an earnings perspective over a specified time horizon and economic value. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk management framework and risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap, net interest income sensitivity, economic value sensitivity and stress-testing to macroeconomic movement or changes, which provides senior management with an assessment of the financial impact of identified rate changes on potential future net interest income and economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

Operationally, non-trading interest rate risk is transferred from the originating business to the Treasury function and aggregated or netted. The Treasury function implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk. Policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to Treasury by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area. The process is supported by technical interest rate analysis and economic review of fundamental developments by geography taking global trends into account.

Treasury have a mandate to take advantage of opportunities which may arise during changing interest rate cycles, by tactically responding to market opportunities, within our statutory and surplus liquid assets portfolios. Although these portfolios also form part of the non-trading book, they are marked-to-market and are risk managed within predefined risk limits.

Interest rate sensitivity gap

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	14 420	-	-	-	-	2 777	17 197
Cash and short-term funds - non-banks	7 287	-	-	-	-	33	7 320
Statutory liquids	6 398	-	346	-	-	-	6 744
Investment/trading assets	7 859	102	477	25	21	4 067	12 551
Securitised assets	6 197	-	-	-	-	78	6 275
Advances	77 921	2 440	2 314	9 409	3 692	(755)	95 021
Intergroup	5 321	401	(380)	(496)	39	761	5 646
Other assets	52	-	-	-	-	801	853
Assets	**125 455**	**2 943**	**2 757**	**8 938**	**3 752**	**7 762**	**151 607**
Deposits - banks	(8 844)	(522)	(61)	-	-	-	(9 427)
Deposits - non-banks	(74 723)	(5 167)	(6 090)	(1 953)	(581)	38	(88 476)
Negotiable paper	(14 704)	(6 668)	(4 473)	(210)	(20)	-	(26 075)
Securitised liabilities	(6 284)	(10)	-	-	-	657	(5 637)
Investment/trading liabilities	(15)	-	-	-	-	221	206
Subordinated liabilities	(941)	(19)	-	(3 750)	-	-	(4 710)
Other liabilities	(813)	(260)	(319)	(433)	(3)	(2 636)	(4 464)
Liabilities	**(106 324)**	**(12 646)**	**(10 943)**	**(6 346)**	**(604)**	**(1 720)**	**(138 583)**
Shareholders' funds	**(1 500)**	**-**	**-**	**(70)**	**-**	**(11 247)**	**(12 817)**
Balance sheet	**17 631**	**(9 703)**	**(8 186)**	**2 522**	**3 148**	**(5 205)**	**207**
Off balance sheet	(5 279)	4 533	7 657	(5 174)	(1 944)	-	(207)
Repricing gap	**12 352**	**(5 170)**	**(529)**	**(2 652)**	**1 204**	**(5 205)**	**-**
Cumulative repricing gap	**12 352**	**7 182**	**6 653**	**4 001**	**5 205**	**-**	**-**

Economic value sensitivity

As discussed above our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates i.e. the numbers represent the change in our net asset value should such a scenario arise.

'million	ZAR	GBP	USD	AUD	All (ZAR)
200bp Down	(113.0)	0.2	3.2	0.3	(80.0)
200bp Up	105.8	(0.2)	(3.6)	(0.3)	71.8

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, including repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Risk management has become more sophisticated with liquidity risk being no exception and we consider both funding liquidity risk and market liquidity risk.

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

Management and measurement of liquidity risk

Liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that consider market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities. These metrics are used to measure and manage the proportion of our external assets which are funded by customer liabilities, wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

We are an active participant in the global financial markets. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. These markets serve as a cost-effective source of funds and are a valuable component of our overall liquidity management. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

We place great value on the establishment of strong relationships with all our investors and we maintain an active presence in the money markets in each region within which we operate. We benefit from stable wholesale liability balances through the normal course of business. These liability balances are a consistent source of funding due to the nature of the businesses from which they are generated.

We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This demonstrates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source.

We acknowledge the importance of our private clients as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank clients. Although the contractual repayments of many customer accounts are on demand or at short notice, expected cash flows vary significantly from contractual maturity. For this reason, behavioural profiling is applied to liabilities with an indeterminable maturity. This process is used to identify sources of structural liquidity in the form of core deposits that exhibit stable behaviour. Our Private Bank continued to successfully raise private client deposits through a period of strong asset growth.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures in connection with the sale of certain mortgages. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported.

We maintain a liquidity buffer in the form of unencumbered, cash, high quality liquid assets and near cash in excess of the statutory requirements as protection against unexpected disruptions in cash flows. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. From October 2007 to 31 March 2008 average cash and near cash balances over the period amounted to R40 billion.

A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely outcomes and unlikely but plausible events on liquidity positions. Scenarios and liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under both normal and stressed conditions. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into short- and long-term funding strategies within each legal entity and globally. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short term liquidity stress.

We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

We maintain liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Liquidity mismatch

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

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy (as mentioned above), we maintain a liquidity buffer in the form of unencumbered, cash, high quality liquid assets and near cash as a buffer against both expected and unexpected cash flows. As the actual contractual profile of this asset class is of little consequence, 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. 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

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*	8 672	2 214	6 125	1	1	21	195	17 229
Cash and short-term funds - non-banks	7 287	(15)	17	24	27	409	33	7 782
Statutory liquids **	6 744	-	-	-	-	-	-	6 744
Investment/trading assets***	4 152	10 791	1 522	1 298	1 440	7 269	667	27 139
Securitised assets	-	-	40	76	308	4 444	1 407	6 275
Advances	3 389	3 421	11 209	6 514	11 681	28 192	30 615	95 021
Intergroup	2 089	(883)	1 451	(118)	56	1 451	1 766	5 812
Other assets	199	4	82	1	22	8	1 244	1 560
Assets	**32 532**	**15 532**	**20 446**	**7 796**	**13 535**	**41 794**	**35 927**	**167 562**
Deposits - banks	(418)	(453)	(1 224)	(197)	(3 720)	(3 415)	-	(9 427)
Deposits - non-banks	(34 181)	(26 264)	(13 091)	(5 497)	(6 601)	(2 085)	(4 384)	(92 103)
Negotiable paper	(44)	(2 826)	(5 474)	(7 882)	(9 088)	(741)	(20)	(26 075)
Securitised liabilities	-	(751)	(1 350)	(10)	-	(3 409)	(117)	(5 637)
Investment/trading liabilities	(33)	(2 528)	(1 368)	(1 189)	(1 339)	(7 689)	2 195	(11 951)
Subordinated liabilities	-	-	-	(19)	-	(4 691)	-	(4 710)
Other liabilities	(106)	(80)	(55)	(548)	(175)	(851)	(2 884)	(4 699)
Liabilities	**(34 782)**	**(32 902)**	**(22 562)**	**(15 342)**	**(20 923)**	**(22 881)**	**(5 210)**	**(154 602)**
Shareholders' funds	**(160)**	**-**	**-**	**-**	**-**	**(73)**	**(12 727)**	**(12 960)**
Balance sheet	**(2 410)**	**(17 370)**	**(2 116)**	**(7 546)**	**(7 388)**	**18 840**	**17 990**	**-**
Off balance sheet	-	-	-	-	-	-	-	-
Contractual liquidity gap	**(2 410)**	**(17 370)**	**(2 116)**	**(7 546)**	**(7 388)**	**18 840**	**17 990**	**-**
Cumulative liquidity gap	**(2 410)**	**(19 780)**	**(21 896)**	**(29 442)**	**(36 830)**	**(17 990)**	**-**	**-**

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	5 895	2 214	6 125	1	1	21	2 972	17 229
** Statutory liquids	-	3 575	2 823	-	346	-	-	6 744
*** Investment/trading assets	4 152	5 195	4 030	2 253	3 545	7 297	667	27 139

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	**8 662**	**1 411**	**9 824**	**(8 371)**	**(36 039)**	**3 787**	**20 766**	**-**
Cumulative	8 622	10 033	19 857	11 486	(24 553)	(20 766)	-	-

Risk management

Balance sheet risk year in review

The financial year exhibited two extremes globally. The beginning of the year started with continued spread compression in credit markets to historically tight levels. Asset growth was strong and all forms of funding were freely available. There was extremely active uptake in capital markets for Financial Institution paper. July saw the beginning of the dramatic unwinding of the excessive levels of gearing that characterised the last five years of activity in international financial markets.

On the Rand funding side, Investec Bank Limited experienced strong organic growth in balance sheet, deposit and surplus cash valuer. During the financial year the balance sheet benefited from our books being well positioned for multiple rate hikes in the Rand and several rate cuts in the US Dollar. However, the key feature of the latter part of the year was the slow impact of the global credit crisis on local markets increasing the cost of Rand deposits across the board. In response to the global liquidity crunch IBL instituted a policy of holding higher levels of cash and near cash.

Markets remain challenging and it is anticipated that these conditions will remain in force at least until the end of 2008.

Operational risk management

Operational risk definition

Operational risk is defined as the risk of loss or earnings volatility arising from failed or inadequate internal processes, people and technology, or from external events.

We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of sound operational risk management practices.

Operational risk governance structure

A common understanding of the definition of operational risk and its impact throughout the organisation is key to the successful management of operational risk.

The governance structure for Operational Risk Management is outlined below:

Board

The board through the BRCC and Audit Committees approve, monitor and review the operational risk framework, policies and practices of the group.

Group Operational Risk Management

An independent specialist Group Operational Risk Management function promotes consistent and sound operational risk management practices and processes across the group to meet regulatory and stakeholder expectations in managing the group's operational risk.

Group Operational Risk Management monitors and reports on enterprise wide risk programmes including Business Continuity Risk, Change Control Risk, Information Security Risk, Operational Risk, Technology Risk and Fraud Risk. The operational risk committee and working groups monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices.

Business unit senior management

Business unit senior management is responsible for the implementation of the operational risk management framework, policies and practices, as well as for the management of the operational risk within their business units through a network of embedded risk managers.

Operational risk management framework

We have implemented an operational risk management framework as well as policies and practices, and a technology system to provide a comprehensive means of identifying, assessing and mitigating operational risk management throughout the group.

The framework sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group. Internal Audit conducts reviews of the operational risk management framework as well as business unit implementation.

- Operational risk identification and risk assessments
  The risk assessment process is central to the operational risk management framework. A qualitative risk assessment is conducted using an identified universe of operational risks contained in a risk assessment framework.

  The risk assessment framework deals with key operational risks such as people, process and technology risks.
  - People risks considered include recruitment, remuneration, employment practices, training and competence, legal compliance and behavioural expectations.
  - Process risk factors considered include the origination, execution and operation of processes.
  - We use the CoBit standards to assess our Information Technology environment risks.

  These risk assessments and resulting treatments are conducted according to our Operational Risk methodology.

  The assessment of risks and controls is conducted at business unit level and is subject to treatment and escalation in terms of our operational risk appetite policy, which sets out the operational risk exposure that we are willing to accept or retain.

  There is an ongoing review of the risk assessments based on the internal and external events, changes in the business environment, and new products introduced.

- Operational risk events
  We respond to internal risk events with appropriate analysis and actions to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events, which are in line with the risk appetite policy. The recording and analysis of external events that occur in institutions similar to the group allow for enhancement or improvements to the control environment through the lessons learnt by these events in the same manner as internal events.

- Operational risk indicators
  We track indicators to monitor the operational risk exposures and to highlight potential issues.

- Reporting
  Reports to senior management and the Board include operational risk exposures as well as risk events. Group Operational Risk reports to the board, BRCC, Audit Committee and Operations Integration Forum on a regular basis. These reports are based on monitoring performed by Group Operational Risk Management and input received from the business units.

Other key operational risks

Business continuity risk

Business continuity encompasses the planning, design, operation and management of business processes and technologies to minimise the disruption caused in the event of a disaster (or business interruption). Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of our geographical locations. A network of business continuity coordinators has responsibility for embedding our business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit. The effectiveness of the business continuity line is tested on a regular basis.

Business continuity risk practices continue to mature throughout the group. Attention to continuous improvement of our operational resilience allowed us to respond effectively to incidents such as power load shedding, without disruption to the business. We also focused on heightening the general awareness of business continuity amongst all staff.

Information security risk

Our information security process is based on the international standard ISO 17799, which promotes common processes and standards across all business units and country operations. Information security risk is assessed as part of the risk assessment framework. Information security is overseen by our Group Information Security Officer.

During the year, information security risk practices focused on mitigating the constant threat of attack on our information systems, and were able to thwart all known attempts to disrupt business.

Technology and IT change management

Change management includes all system changes to live and business continuity environments. Changes follow approval and adequate testing before implementation. A consistent process, in terms of group policy, is followed to ensure a smooth transition during implementation and to minimise business disruption resulting from the changes. The change management process is implemented and managed at business unit level in accordance with global policy.

Financial crime

Financial crime is considered a key operational risk. The focus is on risk identification, loss investigation, recovery and prosecution, and recommending enhanced practices to mitigate this risk.

Incidents of fraud are investigated, recovery initiated and legal action implemented. It is our policy to take conclusive action on all financial crime that is identified as being perpetrated against us. Case information is collected and compiled by the specialists in the correct manner, to facilitate the legal process and obtain the necessary convictions.

In order to assess client quality, regular reviews of the client database are conducted with comparisons to an international database of "undesirable persons".

Suspicious and unusual transactions are monitored, assessed, investigated and reported as required by legislation in the jurisdictions in which we operate. A number of reports were made during the year.

The Group Information Officer deals with all requests for information received from regulatory and investigatory agencies and emerging trends in financial crime through these requests are monitored.

Financial crime remains a concern. During the year, various internal and external incidents were identified, investigated and reported, in order to minimise losses and recover assets and to report suspicious transactions to the relevant authorities. Initiatives to improve awareness and internal processes were undertaken.

Outsourcing

Operational risk management personnel review existing and proposed outsourcing arrangements to ensure that we adopt a consistent approach to mitigating the attendant risks, and comply with any related regulatory requirements.

The policy on Outsourcing has been reviewed during the current financial year in order to incorporate recent changes in best practice and to address regulatory requirements.

Insurance

We maintain adequate insurance to cover key insurable risks. Our insurance process and requirements are managed by the Group Insurance Manager.

Developments

As part of our Basel II programme, approval, where required, was obtained from regulators for the implementation of the Standardised Approach. The process included engagements with regulators and assessments of our operational risk practices against the regulations to ensure compliance with the requirements.

Operational risk management practices continue to be addressed and reported.

Our processes provide for continuous development and monitoring to ensure that our framework and practices are appropriate, adequate, in line with regulatory requirements and sufficiently embedded in our business. We continue to develop and enhance our framework, policies and practices in line with developing practice and regulations.

Industry developments are monitored through active participation in industry forums.

We are evaluating measurement approaches in order to enhance the management of operational risk.

Reputational and strategic risk

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Reputational risk may also arise as a result of other risks manifesting and not being mitigated.

One of the largest single potential causes of reputational risk is strategic risk. Strategic risk is the risk of unexpected losses arising as a result of incorrect decisions taken by senior management or an internal event having an adverse effect on the perception of Investec by its clients and customers.

We have various policies and practices to mitigate reputational and strategic risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. We regularly reinforce our policies and practices through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Governance structures and processes in operation throughout the group assist in mitigating this risk.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:
- Relationship contracts.
- Legislation/governance.
- Litigation.
- Corporate events.
- Incident or crisis management.
- Ongoing quality control.

The legal risk policy is implemented through:
- Identification and ongoing review of areas where legal risk is found to be present.
- Allocation of responsibility for the development of procedures for management and mitigation of these risks.
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction.
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no "gaps" in the risk management process.
- Establishing of minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources.
- Establishing of procedures to monitor compliance, taking into account the required minimum standards.
- Establishing of legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the Global Head of Legal Risk. The Global Head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

Capital management and allocation

Our capital management approach is driven by our strategy and associated risk appetite, taking into account the regulatory and economic environment applicable to the group. We seek to balance our capital consumption to ensure that we are prudently capitalised to meet our risks, but are also able to optimise shareholder returns. Discipline in selection of markets, deals and investments are key to the processes by which we operate to ensure that returns are commensurate with the risk taken.

Our approach to capital is tied to a group-wide discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework.

Capital is managed on both a regulatory and an internal (economic) capital basis.

Philosophy and approach

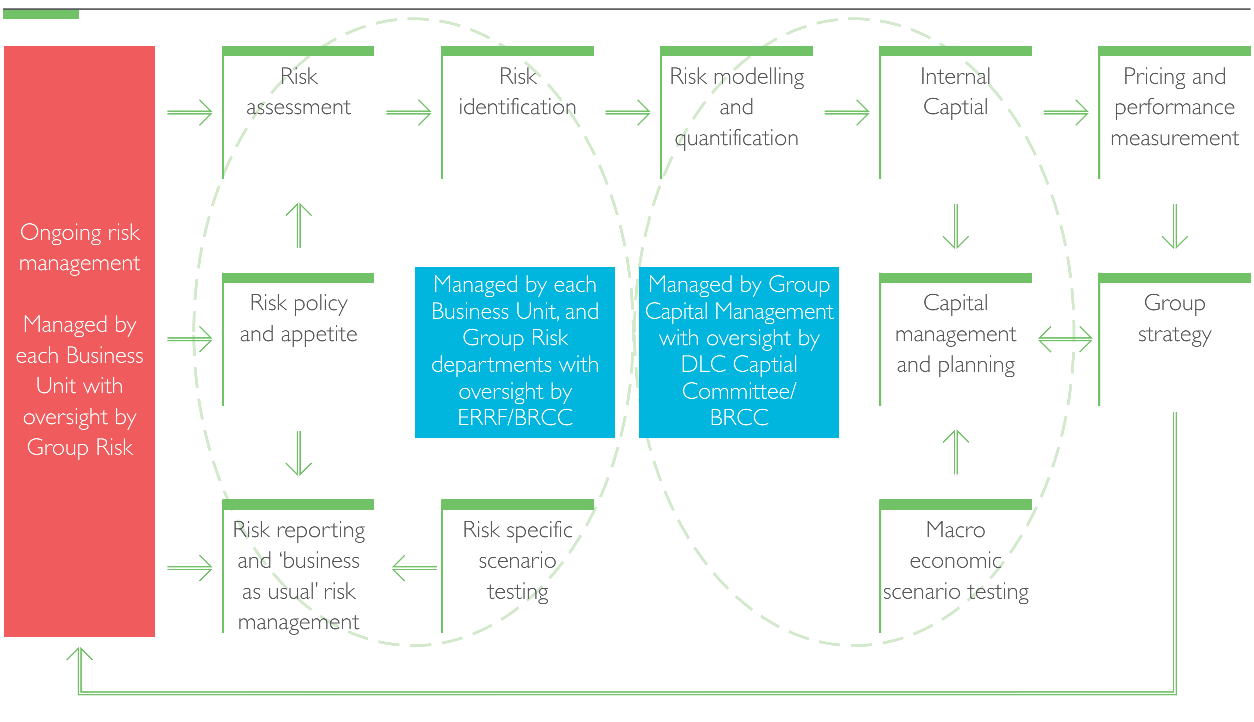
The Investec group comprises Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries). The DLC structure considers the two groups as independent entities from a credit perspective and hence capital is managed on a separate basis. The BRCC (via the Investec DLC Capital Committee) is a board sub-committee with ultimate responsibility for the capital sufficiency for both Investec plc and Investec Limited.

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

Consequently, the management of capital is undertaken on a "silo" basis at the lowest level but considered in aggregate from a group perspective. Regardless of the statutory entity, the objectives of capital management are to:

- Support a target level of financial strength aligned with a long-term rating of at least A;
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group;
- Maintain sufficient capital to meet regulatory requirements;
- Support our growth strategy;
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets.

In order to achieve these objectives, we have adopted the following approach to the integration of risk and capital management:



Risk management

Risk assessment and identification

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by BRCC. This is a bottom up process initially performed by each business unit across the group. Key risks are then debated and agreed at senior management level and ultimately by BRCC. The assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Risk reporting

Ongoing, identified key risks are monitored by Group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Performance and control of these risks is also reported to ERRF and BRCC on a weekly and monthly basis respectively, including the results of scenario testing for the following risks:

- Credit and counterparty risk;
- Traded market risk;
- Equity risk in the banking book;
- Balance sheet liquidity and non-trading interest rate risk;
- Liquidity risk; and
- Operational risk.

Risk modelling and quantification

Each identified risk is considered in the context of our internal capital model, however, we believe in a holistic approach to the management of risk and as such, capital forms only one of the methods at our disposal for ensuring that the risk is adequately managed. In addition, we have extensive embedded risk management policies and appetites as well as robust processes that consider the risk attached to each transaction at an incremental and portfolio wide level. Only those risks which are not mitigated entirely by the use of policy are considered in terms of capital requirements. The potential impact of risk on our capital adequacy is considered on an annual basis.

Internal capital

On 1 January 2008, we began operating under the Basel II regulatory regime across all of its regulated entities. We have adopted the Standardised Approach under "Pillar 1" to determining our minimum capital requirements.

While capital requirements under "Pillar 1" form the minimum capital for Investec plc, Investec Limited and their various regulated subsidiaries, our capital management framework places emphasis on the determination of internal capital. Internal capital is derived through analysis of the potential magnitude of key risks. Internal capital requirements are supported by an annual, board approved, risk assessment across the group.

Based on our internal capital, we target a capital adequacy ratio of 12% to 15% and a Tier 1 ratio of greater than 9% on a consolidated basis for Investec plc and Investec Limited.

The principles of internal capital have been in place within Investec for a number of years, however, given the greater flexibility allowed under Basel II, the use of internal capital has been enhanced since the adoption of Basel II. The internal capital model will incorporate the transition to more sophisticated models for the measurement of risk over time, with the eventual regulatory approval of a move to more advanced approaches to Pillar 1. Irrespective of their regulatory status, however, internal models will form the basis of internal capital targets.

Capital management, planning and scenario testing

A group capital plan is prepared three times annually considering the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to determine capital sufficiency under a range of economic and internal conditions for the medium term (3 years). The impact on both earnings and asset growth are considered. The plan provides the board (via the BRCC) with a basis for which to align strategy given constraints on capital where these exist. This plan is revised based on actual results and presented to the BRCC twice annually.

Each capital plan assesses the impact on our capital adequacy of a range of scenarios based on an expected case and an upturn and downturn scenarios, designed to provide an illustration of capital sufficiency under stressed market conditions. On the basis of the results of this analysis, the DLC Capital Committee and the BRCC are presented with the potential variability in capital adequacy and are responsible for consideration of the appropriate response.

Pricing and performance measurement

We use our internal capital as the basis to determine risk sensitive capital on a transactional basis. As such, internal capital forms a number of roles within the business, including;

- An input to risk sensitive economic pricing;
- A basis of comparison for risk adjusted returns across the group; and
- A basis for the determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration.

The use of internal capital in this way means that all transactions we conduct are considered in the context of the implication on capital, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that target returns are earned with sufficient consideration as to the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key processes at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC. This process forms the fundamental structure of our capital adequacy assessment process.

Responsibility for the risk and capital management process

The Investec plc and Investec Limited Boards of directors are ultimately responsible for the respective silo's capital management. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn the DLC Capital Committee, to oversee the effective control and use of capital.

In order to feed into this forum, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia. The Southern African operations meet monthly through the Regulatory Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the BRCC.

Organisational structure

The following areas within the structure of the business have capital management responsibilities:

- Business units, especially those which conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets):
  - The transactional consultants within the business units consider the capital implications on a deal-by-deal basis as this ultimately affects the internal capital used and, hence, the pricing and profitability of the transaction,
  - Each business unit is responsible for translating their detailed individual strategies into a 'bottom-up" capital usage projection for incorporation into the group capital plan.
- Risk Management:
  - For transactions based on an establishment of credit risk, the capital implications of transactions are considered independently through the approval process to ensure that each transaction is accurate and reasonable. This serves as an additional verification of the capital implication of the particular transaction,
  - For exposures which generate market risk, the market risk management team performs the quantification of trading capital used by the trading activities throughout the group. This is tested for reasonableness at the various capital management forums explained above,
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identifies, assesses and quantifies key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used within the internal capital framework,
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems.
- Group Finance:
  - Financial control, through the capital management function, includes responsibility for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management,
  - Group Finance is also responsible for co-ordinating, with business units, the development of the Groups capital plan,
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by Group Finance,
  - As with Risk Management, the Group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.

- Board and Group Executive:
  - The BRCC has ultimate responsibility for the oversight of day to day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite.
  - The BRCC has delegated management of capital to the DLC Capital Committee and risk management to ERRF.

Conclusion

We optimise the use of capital through a rigorous risk based approach to pricing, performance and remuneration. Capital is managed closely for return and risk from the inception of a transaction. This approach ensures that the linkage of risk to target capital sufficiency is entrenched in our transactional processes.

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans. These strategic capital plans, as with all elements of internal capital, are subject to a robust approval process involving senior business unit managers, Group Executive and the board.

Capital disclosures in terms of Basel II

The tables that follow provide information as required in terms of Basel II.

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on page 128.

As at 31 March 2008
R'million

Regulatory capital	
Tier 1	
Share capital	19
Share premium	6 786
Non-redeemable, non-cumulative, non-participating preference shares	1 491
Retained income	4 328
Other reserves	5
Less: impairments (goodwill and other deductions)	(403)
	12 226
Tier 2	
Aggregate amount	5 006
Less: deductions	(204)
	4 802
Total eligible capital	**17 028**

Capital requirements

As at 31 March 2008 **R'million**	**Capital requirements**	**Risk-weighted assets**
Credit risk - standardised approach	10 031	105 593
Equity risk - standardised approach	346	3 645
Market risk	58	605
Capital requirements for portfolios subject to internal models approach		
- Interest rate	9	95
- Foreign exchange	18	184
- Commodities	3	36
- Equities	28	290
Operational risk - standardised approach	850	8 949
Total	**11 285**	**118 792**

Capital adequacy

At 31 March 2008
R'million

Primary capital (Tier 1)	12 629
Other capital (Tier 2)	5 006
	17 635
Less: impairments	(607)
Net qualifying capital	**17 028**
Risk-weighted assets (banking and trading)	**118 792**
Credit risk	105 593
Equity risk	3 645
Market risk	605
Operational risk	8 949
Capital adequacy ratio	**14.3%**
Tier 1 ratio	10.3%
Capital adequacy ratio - pre operational risk	**15.5%**
Tier 1 ratio - pre operational risk	11.1%

Basel I vs Basel II

The most material difference in calculating our minimum capital requirements under Basel II vs Basel I regimes arises from capital to be held with respect to operational risk. There are a number of other adjustments which result in higher or lower adjustments to capital, but these are relatively immaterial in nature and substantially net off against one another. However, under the principles of Basel II, Pillar 2, a significant difference between the two regimes has been introduced. Pillar 2 has led to the introduction and use of the Internal Capital framework. The Internal Capital framework (as discussed in the capital management section) seeks to utilise the identification and quantification of all key risks (as described in this section) to internally derive capital requirements across the group. This has led to a regime where capital is increasingly allocated on a risk basis rather than utilising regulatory capital as a proxy for risk.

Internal Audit

Internal Audit provides objective and independent assurance to management and the board that group processes are adequate for identifying the significant risks to which we are exposed and that the control environment is effective enough to manage these risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually, governs our internal audit activity. The charter defines the role, objectives, authority and responsibilities of the function.

Further details on the internal audit function can be found in the Investec group's 2008 annual report.

Compliance

Compliance risk is the risk that we fail to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust.

Further details on the compliance function can be found in the Investec group's 2008 annual report.

South Africa - year in review

Anti-money laundering

The implementation of the Financial Intelligence Centre Act (FICA) and Protection of Constitutional Democracy against Terrorist and Related Activities is ongoing. In response to international best practice standards of anti-money laundering and anti-terror financing and in particular to Guidance Note 3 issued by the Financial Intelligence Centre, which permits an accountable institution to adopt a risk based approach, we have developed and implemented a centralised AML system that has the capability to:

- Risk weight clients according to the money laundering and/or terror financing risks they may potentially pose.
- Compare client lists to databases of adverse client information issued by regulatory authorities (which includes persons named on the United Nations lists).
- Administer in a central repository the ongoing maintenance of a client's identification and verification and risk weighting.

A further enhancement to the AML system to more adequately address the legislative requirements of suspicious activity reporting is planned for implementation by the end of 2008. These systematic developments are supported by an enhanced Group Anti-Money Laundering and Anti-Terror Financing Policy which incorporates a Client Acceptance Policy to accommodate this risk weighting and the screening of clients.

Consumer law

The National Credit Act was successfully implemented during June 2007 in affected entities which have been registered as credit providers. The Act imposes strict requirements on credit providers including affordability assessments, disclosure to consumers, advertising and marketing practices, complaints, pricing and reporting to the National Credit Regulator.

The past year saw further regulatory reform pertaining to the financial services industry, particularly relating to legislation aimed at consumer protection in the form of progress made towards the Consumer Protection Bill. The Bill aims to provide a legal framework for consumer protection by attempting to codify the common law with specific regard to the rights of consumers and the obligations of those providing services and products to them. The developments are being closely monitored to assess the impact on affected entities.

Conflicts of interest

Conflicts of interest are inherent in our business. We are not required to avoid conflicts but rather to ensure that they are managed appropriately.

Accordingly we have engaged in a group-wide initiative for identifying and managing the conflicts of interest that exist across our various businesses. Following the implementation of an enhanced framework in the United Kingdom, this initiative has commenced in South Africa with a project to identify all conflicts of interest within and between the South African areas of business as well as a review of all existing mitigations and controls. Mitigations and controls will be in line with international best practice in this area, including policies and procedures, information flow management, disclosure and declining to act.

Risk based monitoring

A project was initiated in October 2006 to align the existing compliance monitoring process with the operational risk processes. The project entails the adoption of the Enterprise Risk Assessor risk based methodology used by the Operational Risk division. The project is due for completion by 30 September 2008.

The first phase of the project involved a comprehensive analysis of all acts, regulations, guidance notes and codes of conduct affecting each of the operating units, the performance of a risk assessment of each underlying regulatory risk and the identification and recording of all controls the operating units have adopted to mitigate such risks. The first phase of the project was completed in March 2008.

The second phase of the project involves the review of compliance monitoring programmes used within the operating units and the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise Risk Assessor software. The second phase of the project is due for completion by 30 September 2008.

Mauritius - year in review

There were no major compliance developments in the region during the period under review. The Mauritian entities strongly align themselves with the policies and procedures adopted by the broader group.

All jurisdictions - Basel II capital requirements

The new Basel Accord was implemented and came into effect on 1 January 2008. As discussed in the various risk sections we have implemented these requirements across the group.

Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank (UK) Limited, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

Ratings for Investec Limited

Fitch

Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+

Ratings for Investec Bank Limited - a subsidiary of Investec Limited

Fitch

Individual rating	B/C
Support rating	2
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+
National short-term rating	F1+ (zaf)
National long-term rating	AA- (zaf)

Global Credit Rating Co.

Local currency short-term rating	A1+ (za)
Local currency long-term rating	AA- (za)

Moody's

Financial strength rating	C
Global local currency deposit long-term rating	A2
Foreign currency deposit long-term rating	Baa1 (positive outlook)
Foreign currency deposit short-term rating	Prime-2
National scale long-term rating	Aa2.za
National scale short-term rating	P1.za

Corporate governance

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2008 annual report.

Our values and philosophies are the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength and conduct in order to promote trust.

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

Board statement

The board is of the opinion that Investec has complied with King II, during the period under review, except as outlined below.

King II - Independence of the Chairman

The Chairman, Fani Titi, is not considered to be independent. Until recently Fani was Chairman of Tiso Group Limited, a company with a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined financial statements, accounting policies and the information contained in the annual report.

Our financial statements were prepared on a going concern basis.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern over the next year.

Board of directors

The composition of the board of Investec Bank Limited is set out on page 64.

The majority of the board members are non-executive directors.

The board is accountable for the performance and affairs of Investec. It provides entrepreneurial leadership for the company within a framework of prudent and effective controls which allows risk to be assessed and managed. Specifically, it is responsible for the adoption of strategic plans, monitoring of operational performance and management, ensuring an effective risk management strategy, compliance with applicable legislation, upholding corporate governance standards and succession.

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

The board has defined the limits of delegated authority. It is responsible for assessing and managing risk policies and philosophies; ensuring appropriate internal controls; overseeing major capital expenditure, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board. The board monitors and evaluates management's progress on an ongoing basis.

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainable growth and prosperity.

Board committees

The board is supported by key committees, as follows:

- Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk and Capital Committee
  - Capital Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section of the Investec group's 2008 annual report.
- Nomination and Directors' Affairs Committee
- Remuneration Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

Nomination and Directors' Affairs Committee

The boards of Investec plc and Investec Limited had previously established a Nominations Committee as a sub-committee of the boards. The boards resolved to amend the duties and responsibilities of the Nomination Committee to reflect the requirements of the South African Banks Amendment Act 2007 (the "SA Banks Act"). Specifically, the Nomination Committee's duties were amended to reflect the requirements of section 64B of the SA Banks Act being the establishment of a directors' affairs committee as a sub-committee of Investec Limited as a bank controlling company. We are currently awaiting formal approval from the Registrar of Banks. Accordingly, the Nominations Committee, which retains all previous duties and responsibilities, was renamed the Nomination and Directors' Affairs Committee. This committee also assumed the responsibilities of the Directors' Affairs Committee for Investec Bank Limited, which had previously been in existence as required by the SA Banks Act.

Role and responsibilities

The Nomination and Directors' Affairs Committee is responsible for, among other things:

- Identifying and nominating the approval of the boards' candidates to fill board vacancies as and when they arise.
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group.
- Establishing and maintaining a board directorship continuity programme.
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards compared to their current positions and make recommendations to the boards regarding any changes.
- The nomination of successors to the key positions in Investec Limited or Investec Bank Limited, its major subsidiary, in order to ensure that a management succession plan is in place.

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

Membership and attendance

Details of attendance and membership are shown below.

DLC Nomination and Directors' Affairs Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
HS Herman (Chairman)	2	2	No
SE Abrahams	2	2	Yes
Sir C Keswick	2	2	Yes
F Titi**	2	-	No
PRS Thomas***	2	-	Yes

** Fani Titi was appointed to the committee on 26 March 2008, and no meetings were held in the current year subsequent to his appointment.

*** PRS Thomas was appointed to the committee on 14 May 2008, and no meetings were held in the current year subsequent to his appointment.

Management and succession planning

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

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

Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed the principles throughout the group during the year under review. Cognisance has also been taken of the King II requirements in South Africa.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Risk and Capital Committee and Audit Committees assist the board in this regard. Sound risk management practices are promoted by the Group Risk Management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The overall system of internal control is designed to mitigate, not eliminate, significant risks we face and was in place for the year under review. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed weekly by the Executive Risk Review Forum and regularly by the Board Risk and Capital Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk and Capital Committee and the Audit Committees. Reports from the Audit Committees, Board Risk and Capital Committee and Risk and Control functions are reviewed at each board meeting.

Internal financial controls

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

External audit

Our external auditors are KPMG Inc and Ernst & Young Inc. The independence of the external auditors is reviewed with the auditors by the Audit Committees each year.

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

The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in the South African Banks Act, were adhered to during the period under review.

Non-audit services are dealt with in terms of an agreed policy.

Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities, the main one being the South African Reserve Bank (SARB). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

Communication, public disclosure obligations and stakeholder relations

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

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

Values and code of conduct

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

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

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

We continually strive to conduct our business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

Sustainable business practices

We have an acute awareness of the need for longevity and durability, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Further detail can be found on our website at www.investec.com/grouplinks/obr

Directorate

Fani Titi (45)
BSc (Hons) MA MBA
Non-Executive Chairman (appointed 1 June 2007)

David M Lawrence (57)
BA(Econ) (Hons) MCom
Deputy Chairman

Sam E Abrahams (69)
FCA CA(SA)

Glynn R Burger (51)
BAcc CA(SA) H Dip BDP MBL

Richard MW Dunne (60)*
CA(SA)

Bernard Kantor (58)
CTA

Stephen Koseff (56)
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (50)
BCom MAP LDP

Karl-Bart XT Socikwa (39)
BCom LLB MAP IPBM

Bradley Tapnack (61)
BCom CA(SA)

Peter R S Thomas (63)
CA(SA)

C Busi Tshili (44)
CA(SA)

Donn Jowell resigned with effect from 30 September 2007.
Hugh Herman resigned with effect from 1 June 2007.
* Appointed with effect from 2 June 2008.

Remuneration report

Remuneration report

The remuneration committee of the bank's parent, Investec Limited, comprises non-executive directors and is responsible for determining the overall reward packages of executive directors. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

Policy on executive directors' and employees' remuneration

Our philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and us.

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.
Both the type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

The key principles of our remuneration policy for executive directors and employees, which were consistently applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - For executive directors, the FTSE 350 General Finance firms provide the most appropriate benchmark.
    - For employees, a combination of firms from the JSE Financial 15 and the FTSE 350 General Finance sector offer the most appropriate benchmark.
    - The committee also reviews on an individual basis data on other international banks with whom we compete.
    - The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets.
    - In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

- Base salary and benefits.
- Annual bonuses.
- Long-term share incentive plans.

The committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the contribution by the individual and the business as a whole, the value of individuals in perpetuating our values and culture, and the possible replacement cost of such individuals.

The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not pensionable.

It is the company's policy to seek to set base salaries (including benefits) at median market levels. However, base salaries have in many instances dropped below this level as annual increases in the recent past have largely been in line with prevailing inflation rates and have not been increased to median market levels due to a desire, in current circumstances, to maintain a low level of fixed costs.

Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by Economic Value Added (EVA) profit performance against pre-determined targets. These targets have been in force, and unchanged, for the past few years and are subject to periodic review, with varying levels of return required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee based businesses). Individual annual incentive levels are allocated from the EVA pool, based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

In this regard, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market given that base salaries are currently below median market levels. This is to ensure that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

As explained in the prior year's report, the committee undertook a thorough assessment of the executive remuneration structure in 2007 which resulted in the removal of the annual bonus limit. This practice was maintained during the 2008 financial year. The committee still believes that an upper limit on the bonus award is inappropriate given the remuneration practices within the group and in similar financial services businesses. Our policy remains to target at median salaries and upper quartile for total compensation in order to limit the increase in fixed costs.

Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

Details with respect to the share option and long-term share incentive plans in operation, and in which the directors are eligible to participate are provided on our website.

Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business, were granted participation (prior to the implementation of the DLC structure) in a leveraged equity plan known as Fintique II, which was established in 1996. Details on Fintique II are provided in tables accompanying this report and on our website.

Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank Limited board and fees are also payable for any additional time committed to the group including attendance at certain meetings. Furthermore, non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans. Prior to the implementation of our Dual Listed Companies (DLC) structure in July 2002, certain non-executive directors did participate in Investec Group Limited's (now Investec Limited's) leveraged equity plans.

Audited information

Director's annual remuneration

The following table shows a breakdown of the annual remuneration (excluding share based payments and equity awards) of directors for the year ended 31 March 2008:

Name	Salaries, directors fees and other remuneration 2008 R	Annual bonus 2008 R	Total remuneration expense 2008 R	Salaries, directors fees and other remuneration 2007 R	Annual bonus 2007 R	Total remuneration expense 2007 R
Executive directors						
S Koseff (Chief Executive Officer)	1 709 643	11 018 700	12 728 343	1 528 801	9 201 913	10 730 714
B Kantor (Managing Director)	705 258	7 155 000	7 860 258	972 474	5 353 840	6 326 314
GR Burger (Group Risk and Finance Director)	1 397 917	11 776 000	13 173 917	1 312 500	9 703 835	11 016 335
DM Lawrence (Deputy Chairman)	1 912 500	4 325 118	6 237 618	1 780 000	4 436 309	6 216 309
B Tapnack	1 258 500	2 866 407	4 124 907	1 184 250	2 472 554	3 656 804
Total in Rands	**6 983 818**	**37 141 225**	**44 125 043**	**6 778 025**	**31 168 451**	**37 946 476**
Non-executive directors						
F Titi (Chairman)	1 712 345	-	1 712 345	650 076	-	650 076
HS Herman	1 394 566		1 394 566	1 820 306		1 820 306
SE Abrahams	1 753 905	-	1 753 905	1 428 538	-	1 428 538
DE Jowell	535 910	-	535 910	1 117 315	-	1 117 315
MP Malungani	745 145	-	745 145	650 076	-	650 076
Dr. MZ Nkosi	-	-	-	20 000	-	20 000
KXT Socikwa	123 000	-	123 000	92 000	-	92 000
PRS Thomas	1 080 089	-	1 080 089	942 107	-	942 107
B Tshili	112 500	-	112 500	80 000	-	80 000
Total in Rands	**7 457 460**	**-**	**7 457 460**	**6 800 418**	**-**	**6 800 418**
Total in Rands	**14 441 278**	**37 141 225**	**51 582 503**	**13 578 443**	**31 168 451**	**44 746 894**

Note:
HS Herman retired from the Investec Bank Limited board and F Titi assumed the role as Chairman with effect from 1 June 2007. DE Jowell resigned with effect from 30 September 2007.

Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2008.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2008

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2007	31 March 2008	% of shares in issue[1] Investec plc 31 March 2008	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2007	31 March 2008	% of shares in issue[1] Investec Limited 31 March 2008
Executive directors						
S Koseff (Chief Executive Officer)	4 845 383	4 886 633	1.2%	420 265	441 515	0.2%
B Kantor (Managing Director)[4]	1 500	1 500	-	6 336 200	5 001 000	2.1%
GR Burger (Group Risk and Finance Director)	2 410 095	2 530 095	0.6%	432 385	499 885	0.2%
DM Lawrence (Deputy Chairman)	959 255	959 255	0.2%	200 590	200 590	0.1%
B Tapnack	340 045	340 045	0.1%	-	-	-
Total number	**8 556 278**	**8 717 528**	**2.1%**	**7 389 440**	**6 142 990**	**2.6%**
Non-executive directors						
F Titi (Chairman)[5]	-	-	-	1 540 000	-	-
SE Abrahams	30 000	30 000	-	-	-	-
MP Malungani[5]	-	-	-	7 728 890	7 728 890	3.3%
KXT Socikwa	-	-	-	250	250	-
PRS Thomas	415 855	415 855	0.1%	255 955	255 955	0.1%
Total number	**445 855**	**445 855**	**0.1%**	**9 525 095**	**7 985 095**	**3.4%**
Total number	**9 002 133**	**9 163 383**	**2.2%**	**16 914 535**	**14 128 085**	**6.0%**

Notes:

1. The total number of Investec plc and Investec Limited shares in issue as at 31 March 2008 was 423.3 million and 234.3 million, respectively.
2. The market price of an Investec plc share as at 31 March 2008 was £3.39 (2007: £6.58), ranging from a low of £2.94 to a high of £7.65 during the financial year.
3. The market price of an Investec Limited share as at 31 March 2008 was R57.43 (2007: R93.30), ranging from a low of R50.90 to a high of R104.40 during the financial year.
4. In addition to his shareholdings reflected in the table above, B Kantor has an interest in Investec Limited shares via futures contracts, the details of which are as follows:
   - B Kantor purchased single stock futures over 800 000 Investec Limited shares at a strike price of R62.30 per share.
5. In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based Entrepreneurship Development Trust and an Employee Share Trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the Chairman of Peu and F Titi was the former Chief Executive Officer of Tiso. F Titi disposed of his entire interest in Tiso on 31 January 2008, resulting in his indirect interest in Investec Limited reducing to nil.

Directors' interest in preference shares as at 31 March 2008

Name	Investec Bank Limited 1 April 2007	Investec Bank Limited 31 March 2008	Investec Limited 1 April 2007	Investec Limited 31 March 2008	Investec plc 1 April 2007	Investec plc 31 March 2008
Executive directors						
S Koseff	4 000	4 000	3 000	3 000	21 198	21 198
DM Lawrence	4 000	4 000	5 400	5 400	-	-
B Tapnack	2 000	2 000	3 800	3 800	9 058	9 058

Notes:

- The market price of an Investec Bank Limited preference share as at 31 March 2008 was R91.00 (2007: R103.10).
- The market price of an Investec Limited preference share as at 31 March 2008 was R84.40 (2007: R95.00).
- The market price of an Investec plc preference share as at 31 March 2008 was R98.00 (2007: R124.99).

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2008

Name	Entitlement to Investec plc shares 1 April 2007	Entitlement to Investec plc shares 31 March 2008	Entitlement to Investec Limited shares 1 April 2007	Entitlement to Investec Limited shares 31 March 2008	Settlement period	Total entitlement (i.e. Investec plc and Investec Limited shares) - % interest in scheme 31 March 2008
Executive directors						
S Koseff	918 420	918 420	539 395	539 395	1 April 2008 to 31 July 2008	8.2%
B Kantor[1]	-		221 500	-	1 April 2008 to 31 July 2008	-
GR Burger	629 515	629 515	369 715	369 715	1 April 2008 to 31 July 2008	5.6%
B Tapnack[2]	27 909	-	16 391	-	-	-
Total number	**1 575 844**	**1 547 935**	**1 147 001**	**909 110**		**13.8%**

Notes:
- Fintique II was constituted on 31 July 1996, via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments are compulsory convertible debentures, which convert into 4 430 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 4.0 million units were issued in terms of the scheme, converting into approximately 17.8 million shares.
- All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so "fully vested" as the term is understood in the UK, and can be taken up at a price of R3.52 per share, based on the valuation of the scheme as at 31 March 2008 .The market price of an Investec plc share and an Investec Limited share as at 31 March 2008 was £3.39 and R57.43, respectively.
- While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.

[1] In terms of the scheme B Kantor disposed of his entitlements in respect of 221 500 Investec Limited shares at a market price of R61.61 per share on 28 February 2008. Following the disposal of the 221 500 Investec Limited shares, B Kantor has no remaining entitlements in terms of the Fintique II scheme.

[2] In terms of the scheme B Tapnack disposed of his entitlements in respect of 27 909 Investec plc shares at a market price of R75.14 per share and 16 391 Investec Limited shares at a market price of R75.20 per share on 14 September 2007. The outstanding liability in respect of the shares disposed was settled from the proceeds on the sale of shares.

Directors' interest in options as at 31 March 2008

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2008	Market price at date of exercise[1]	Gross gains made on date of exercise[1]	Period exercisable
Executive directors									
S Koseff	20 Dec 2002	R22.39	41 250	41 250	-	-	R58.20	R1 477 162	
B Kantor	20 Dec 2002	£1.59	72 905	57 775	-	15 130	£4.18	£149 637	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
GR Burger	20 June 2002	R32.90	78 750	78 750	-	-	R72.52	R3 120 075	
	20 Dec 2002	R22.39	41 250	41 250	-	-	R58.20	R1 477 162	
DM Lawrence	20 June 2002	R32.90	39 375	39 375	-	-	R90.79	R2 279 418	
	20 Dec 2002	R22.39	28 875	28 875	-	-	R64.68	R1 221 124	
B Tapnack	20 June 2002	R32.90	39 375	39 375	-	-	R78.40	R1 791 582	
	20 Dec 2002	R22.39	28 875	28 875	-	-	R59.84	R1 081 368	

Directors' interest in options as at 31 March 2008 (continued)

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2007	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2008	Market price at date of exercise[1]	Gross gains made on date of exercise
Executive directors								
S Koseff	20 Dec 2002	R22.26	21,250	21,250	-	-	R59.29	R786 675
GR Burger	20 June 2002	R32.90	46,250	46,250	-	-	R72.40	R1 826 875
	20 Dec 2002	R22.26	21,250	21,250	-	-	R59.29	R786 675
DM Lawrence	20 June 2002	R32.90	23 125	23 125	-	-	R89.47	R1 308 181
	20 Dec 2002	R22.26	14 875	14 875	-	-	R65.49	R643 046
B Tapnack	20 June 2002	R32.90	23 125	23 125	-	-	R78.50	R1 054 500
	20 June 2002	R22.26	14 875	14 875	-	-	R61.02	R576 555

Notes:

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2008 was £3.39 (2007: £6.58), ranging from a low of £2.94 to a high of £7.65 during the financial year. A total of 423.3 million Investec plc shares were in issue as at 31 March 2008. The market price of an Investec Limited share as at 31 March 2008 was R57.43 (2007: R93.30), ranging from a low of R50.90 to a high of R104.40 during the financial year. A total of 234.3 million Investec Limited shares were in issue as at 31 March 2008.

[1] Details with respect to options exercised:

- S Koseff exercised his options and bought 41 250 Investec plc shares and 21 250 Investec Limited shares on 18 January 2008, when the share price was R58.20 and R59.29 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- B Kantor exercised his options and bought 57 775 Investec plc shares on 18 January 2008, when the share price was £4.18 per share. The performance conditions with respect to these options were met.
- GR Burger exercised his options and bought 78 750 Investec plc shares and 46 250 Investec Limited shares on 18 September 2007, when the share price was R72.52 and R72.40 per Investec plc and Investec Limited share, respectively. GR Burger exercised his options and bought 41 250 Investec plc shares and 21 250 Investec Limited shares on 18 January 2008, when the share price was R58.20 and R59.29 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- DM Lawrence exercised his options and sold 39 375 Investec plc shares and 23 125 Investec Limited shares on 27 June 2007, when the share price was R90.79 and R89.47 per Investec plc and Investec Limited share, respectively. DM Lawrence exercised his options and sold 28 875 Investec plc shares and 14 875 Investec Limited shares on 4 February 2008, when the share price was R64.68 and R65.49 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- B Tapnack exercised his options and bought 39 375 Investec plc shares and 23 125 Investec Limited shares on 10 August 2007, when the share price was R78.40 and R78.50 per Investec plc and Investec Limited share, respectively. B Tapnack exercised his options and sold 28 875 Investec plc shares and 14 875 Investec Limited shares on 25 January 2008, when the share price was R59.84 and R61.02 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2008

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Balance at 31 March 2008	Period exercisable
Executive directors					
S Koseff	21 Nov 05	nil	750 000	750 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
B Kantor	21 Nov 05	nil	750 000	750 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
GR Burger[1]	21 Nov 05	nil	600 000	600 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
	25 Jun 07	nil	-	150 000	75% of the matching award is exercisable on 25 June 2011 and 25% on 25 June 2012

Notes:

This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005.The plan is considered essential in improving our long-term prospects for recruitment and retention of key individuals. The plan also provides further alignment of the interests of shareholders and management as the committee believes that a significant element of remuneration should be linked to our ability to deliver sustainable results to shareholders, and at the same time enable management to share in these results. Further details on the plan are available on our website.

[1] GR Burger was awarded nil cost options over 150 000 Investec plc shares on 25 June 2007 and has pledged the equivalent number of shares in terms of the plan rules.The award is subject to performance conditions.

Directors' interest in long-term share incentive plans as at 31 March 2008

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Balance at 31 March 2008	Period exercisable
Executive directors					
DM Lawrence	20 Jun 05	nil	150 000	150 000	75% in June 2009 and 25% in June 2010
B Tapnack	20 Jun 05	nil	150 000	150 000	75% in June 2009 and 25% in June 2010

DM Lawrence and B Tapnack were granted nil cost options of 150 000 Investec Limited shares on 20 June 2005, in terms of the Investec Limited Share Incentive Plan.The options are not subject to any performance conditions.

Financial statements

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and annual separate parent financial statements of Investec Bank Limited, comprising the balance sheets at 31 March 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls 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.

The joint auditors are responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Investec Bank Limited, as identified in the first paragraph, were approved by the board of directors on 17 June 2008 and signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Declaration by the Company Secretary

In terms of Section 268G (d) of the Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2008, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Benita Coetsee
Group Secretary

17 June 2008

Independent auditors' report to the members of Investec Bank Limited

We have audited the group annual financial statements and the annual financial statements of Investec Bank Limited, which comprise the balance sheets at 31 March 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 77 to 135.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Bank Limited at 31 March 2008, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditors

Per JP Quinn
Chartered Accountant (SA)
Registered Auditor
Director
Sandton

17 June 2008

Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director
Sandton

17 June 2008

KPMG Crescent
85 Empire Road, Parktown
Johannesburg

Directors' report

Nature of business

Investec Bank Limited is a specialised bank providing a diverse range of financial products and services, including Private Banking, Capital Markets and Investment Banking, to a niche client base in South Africa and Mauritius.

Financial results

The group and company financial results of Investec Bank Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2008.

A review of the operations for the year can be found on pages 8 to 11.

Authorised and issued share capital

Details of the share capital are set out in note 128 to the financial statements.

Ordinary dividends

A dividend of R650 000 000 was declared on 29 November 2007 and paid on 30 November 2007.

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 9 for the six months ended 30 September 2007 amounting to 486.47 cents per share was declared on 15 November 2007 to members holding preference shares registered on 30 November 2007 and was paid on 11 December 2007.

Preference dividend number 10 for the six months ended 31 March 2008 amounting to 537.23 cents per share was declared on 15 May 2008 to members holding preference shares registered on 20 June 2008 and will be paid on 3 July 2008.

Directors

Details of the directors are reflected on page 64.

Mr RMW Dunne was appointed to the board as a director on 2 June 2008. Mr HS Herman and Mr DE Jowell resigned from the board as directors on 1 June 2007 and 30 September 2007, respectively.

Messrs B Kantor, B Tapnack, GR Burger and RMW Dunne retire by rotation in terms of the Articles of Association and being eligible, offer themselves for re-election.

Directors' shareholdings

No director holds any ordinary shares in Investec Bank Limited.

Directors' shareholdings in Investec Limited and Investec plc and in Investec Bank Limited's preference shares are set out on pages 69 and 70.

Directors' remuneration

Directors' remuneration is disclosed on pages 65 to 73.

Company Secretary and registered office

The Company Secretary is Benita Coetsee.

The registered office is c/o Company Secretarial, Investec Limited, 100 Grayston Drive, Sandown, Sandton, 2196

Directors' report

Audit Committee

An Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Group Finance and Accounting division, to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibilities of the Audit Committee are set out in the Investec group's annual report for the year ended 31 March 2008.

Auditors

Ernst & Young Inc. and KPMG Inc. have expressed their willingness to continue in office as joint auditors. A resolution to re-appoint Ernst & Young Inc. and KPMG Inc. as joint auditors, will be proposed at the Annual General Meeting.

Holding company

The bank's holding company is Investec Limited.

Subsidiary and associated companies

Details of principal companies are reflected on page 125 and the associate company on page 119.

The interest of the company in the aggregate profits after tax of its subsidiary companies is R189 million (2007: R342 million) and its share in aggregate losses is R10 million (2007: R22 million).

Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

Special resolutions

At the Annual General Meeting of members held on 8 August 2007, a special resolution was passed in terms of which a general approval was granted for the acquisition by Investec Bank Limited or its subsidiaries of ordinary shares and non-redeemable, non-cumulative, non-participating preference shares issued by Investec Bank Limited.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with the applicable accounting standards. These policies are set out on pages 85 to 94.

Creditor payment policy

The group's standard practice is to agree the terms of payment with suppliers at the time of contract and make payments within the agreed credit terms subject to satisfactory performance.

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of employee share schemes.

Directors' report

Empowerment and transformation

In South Africa transformation and black economic empowerment remain high on the corporate agenda. Our approach is to utilise our own entrepreneurial expertise to foster the creation of new black entrepreneurial platforms, and continue to be one of the prime sources of empowerment financing. We also recognise the need for our own internal transformation and are bringing about greater representivity within our work place by creating black entrepreneurs within the organisation. From a reporting perspective, we submitted our third financial sector report to the Financial Sector Charter Council ("Charter Council") in March 2008 which included a comprehensive analysis of our positioning in this regard. The report was verified by KPMG according to guidelines issued by the Charter Council. We are pleased to report that we maintained our "A" rating.

Environment

Investec Bank Limited is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Subsequent events

There are no material facts or circumstances which occurred between the accounting date and the date of this report that would require adjustment or disclosure in the annual financial statements.

Consolidated income statements

For the year to 31 March R'million	Notes	Group 2008	 2007	Company 2008	 2007
Interest income		15 731	10 339	13 139	8 703
Interest expense		(12 216)	(7 785)	(10 105)	(6 417)
Net interest income		**3 515**	**2 554**	**3 034**	**2 286**
Fee and commission income		1 084	910	1 029	856
Fee and commission expense		(30)	(46)	(15)	(42)
Principal transactions	3	1 202	1 000	1 138	913
Operating loss from associate		(1)	(10)	-	-
Other income		**2 255**	**1 854**	**2 152**	**1,727**
Total operating income before impairment losses on loans and advances		**5 770**	**4 408**	**5 186**	**4 013**
Impairment losses on loans and advances		(466)	(122)	(314)	(119)
Operating income		**5 304**	**4 286**	**4 872**	**3 894**
Administrative expenses	4	(2 713)	(2 150)	(2 527)	(2 037)
Depreciation, amortisation and impairment of property, equipment and software	21/23	(69)	(51)	(67)	(49)
Operating profit		**2 522**	**2 085**	**2 278**	**1 808**
(Loss)/profit on disposal of group operations	24	(38)	39	-	47
Profit before taxation		**2 484**	**2 124**	**2 278**	**1 855**
Taxation	6	(686)	(572)	(669)	(521)
Profit after taxation		**1 798**	**1 552**	**1 609**	**1 334**
Earnings attributable to minority shareholders		-	3	-	-
Earnings attributable to shareholders		1 798	1 549	1 609	1 334
		1 798	**1 552**	**1 609**	**1 334**

Consolidated balance sheets

At 31 March R'million	Notes	Group 2008	2007	Company 2008	2007
Assets					
Cash and balances at central banks		2 811	851	2 801	844
Loans and advances to banks		14 418	20 141	13 863	20 296
Cash equivalent advances to customers		7 782	7 214	7 782	7 214
Reverse repurchase agreements and cash collateral on securities borrowed	11	5 752	2 916	5 752	2 916
Trading securities	12	17 913	13 472	17 819	12 908
Derivative financial instruments	13	9 668	5 693	9 607	5 365
Investment securities	14	350	29	350	27
Loans and advances to customers	16	95 021	69 174	85 800	63 256
Securitised assets	17	6 275	11 807	1 084	6 270
Interest in associated undertakings	18	195	221	-	-
Deferred taxation assets	19	285	263	268	249
Other assets	20	1 056	1 062	905	914
Property and equipment	21	144	104	135	96
Investment properties	22	5	3	1	1
Intangible assets	23	75	61	71	58
Loans to group companies	25	5 812	9 753	7 372	9 508
Investment in subsidiaries	26	-	-	2 320	1 805
		167 562	**142 764**	**155 930**	**131 727**
Liabilities					
Deposits by banks		9 427	12 959	8 379	12 018
Derivative financial instruments	13	10 152	5 576	10 063	5 401
Other trading liabilities	27	266	255	266	255
Repurchase agreements and cash collateral on securities lent	11	1 533	2 378	1 521	2 361
Customer accounts		115 654	91 035	112 497	89 066
Debt securities in issue	28	2 524	1 343	2 524	1 559
Liabilities arising on securitisation	17	5 637	11 735	1 084	6 272
Current taxation liabilities	29	697	307	681	294
Deferred taxation liabilities	19	323	284	312	240
Other liabilities	30	3 679	3 770	1 881	1 909
		149 892	129 642	139 208	119 375
Subordinated liabilities (including convertible debt)	31	4 710	3 066	4 710	3 066
		154 602	**132 708**	**143 918**	**122 441**
Equity					
Ordinary share capital	32	19	16	19	16
Share premium		6 786	4 732	6 786	4 732
Equity portion of convertible debentures		22	229	22	229
Perpetual preference shares	33	1 491	1 491	1 491	1 491
Other reserves		911	738	786	648
Retained income		3 731	2 850	2 908	2 170
Total equity		**12 960**	**10 056**	**12 012**	**9 286**
Total liabilities and equity		**167 562**	**142 764**	**155 930**	**131 727**

Statement of changes in equity

R'million	Ordinary share capital	Share premium	Compulsorily convertible debentures	Perpetual preference shares
Group				
At 1 April 2006	16	4 732	229	1 491
Movement in reserves 1 April 2006 - 31 March 2007				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-
At 31 March 2007	16	4 732	229	1 491
Movement in reserves 1 April 2007 - 31 March 2008				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Issue of shares	3	1 847	-	-
Conversion of compulsorily convertible debentures	-	207	(207)	-
Transfer to regulatory general risk reserve	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
At 31 March 2008	19	6 786	22	1 491
Company				
At 1 April 2006	16	4 732	229	1 491
Movement in reserves 1 April 2006 - 31 March 2007				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
At 31 March 2007	16	4 732	229	1 491
Movement in reserves 1 April 2007 - 31 March 2008				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Issue of shares	3	1 847	-	-
Conversion of compulsorily convertible debentures	-	207	(207)	-
Transfer to regulatory general risk reserve	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
At 31 March 2008	19	6 786	22	1 491

Other Reserves: Regulatory general risk reserve	Other Reserves: Available for sale reserve	Other Reserves: Foreign currency reserves	Minority interests	Retained income	Total
520	-	(8)	8	1 824	8 812
-	-	12	-	-	12
-	-	-	3	1 549	1 552
-	-	-	-	(190)	(190)
-	-	-	-	(121)	(121)
212	-	-	-	(212)	-
-	2	-	-	-	2
-	-	-	(5)	-	(5)
-	-	-	(6)	-	(6)
732	2	4	-	2 850	10 056
-	-	1	-	-	1
-	-	-	-	1 798	1 798
-	-	-	-	(650)	(650)
-	-	-	-	(142)	(142)
-	-	-	-	-	1 850
-	-	-	-	-	-
125	-	-	-	(125)	-
-	47	-	-	-	47
857	49	5	-	3 731	12 960
474	-	(2)	-	1 322	8 262
-	-	1	-	-	1
-	-	-	-	1 334	1 334
-	-	-	-	(190)	(190)
-	-	-	-	(121)	(121)
175	-	-	-	(175)	-
649	-	(1)	-	2 170	9 286
-	-	-	-	-	-
-	-	-	-	1 609	1 609
-	-	-	-	(650)	(650)
-	-	-	-	(142)	(142)
-	-	-	-	-	1 850
-	-	-	-	-	-
79	-	-	-	(79)	-
-	59	-	-	-	59
728	59	(1)	-	2 908	12 012

Cash flow statements

For the year to 31 March R'million	Notes	Group 2008	 2007	Company 2008	 2007
Cash flows from operating activities					
Cash generated by operating activities	35	3 082	2 194	2 683	1 902
Taxation paid	35	(289)	(588)	(240)	(559)
Net cash inflow from operating activities		**2 793**	**1 606**	**2 443**	**1 343**
Cash flows from banking activities					
Increase in operating assets	35	(30 416)	(29 782)	(20 834)	(28 782)
Increase in operating liabilities	35	27 399	29 058	19 374	27 562
Net cash outflow from banking activities		**(3 017)**	**(724)**	**(1 460)**	**(1 220)**
Cash flows from investing activities					
Net investment in fixed assets		(125)	(103)	(119)	(97)
Proceeds on disposal of group entities	24	-	50	-	50
Repayment of loan notes by associate		25	-	-	-
Acquisition of associate company		-	(231)	-	-
Net cash outflow from investing activities		**(100)**	**(284)**	**(119)**	**(47)**
Cash flows from financing activities					
Proceeds on issue of shares		1 813	-	1 813	-
Dividends paid		(792)	(311)	(792)	(311)
Payments to minorities		-	(6)	-	-
Net inflow on subordinated debt raised		1 657	-	1 657	-
Net (increase)/decrease in investment in subsidiaries		-	-	(515)	500
Net cash inflow/(outflow) from financing activities		**2 678**	**(317)**	**2 163**	**189**
Net increase in cash and cash equivalents		**2 354**	**281**	**3 027**	**265**
Cash and cash equivalents at beginning of year		7 960	7 679	7 877	7 612
Cash and cash equivalents at end of year		**10 314**	**7 960**	**10 904**	**7 877**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		2 811	851	2 801	844
On demand loans and advances to banks		466	(105)	321	(181)
Cash equivalent advances to customers		7 037	7 214	7 782	7 214
Cash and cash equivalents at the end of the year		**10 314**	**7 960**	**10 904**	**7 877**

Cash and cash equivalents have a maturity profile of less than 3 months.

Accounting policies

Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa.

The accounting policies are consistent with those adopted in the previous year.

(b) Presentation of information

Disclosures under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 12 to 58.

Certain disclosures required under IAS 24, Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 65 to 73.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:
- derivative financial instruments are measured at fair value.
- financial instruments at fair value through profit and loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- investment property is measured at fair value.

(d) Functional and presentation currency

These consolidated financial statements are presented in South African Rand, which is both the group's functional and presentation currency. Except as indicated, financial information is presented in South African Rand, rounded to the nearest million.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements include:
- Valuation of unlisted investments in the private equity and direct investment portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognise market volatility. Details of unlisted investments can be found in note 12, trading securities and note 14, investment securities.
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgmental in nature.

Basis of consolidation

All subsidiaries and special purpose vehicles in which the group holds more than one half of the voting rights or over which it has the ability to control (either directly or in substance) are consolidated from the effective dates of acquisition (that is from when control exists) and up to the effective dates of loss of control.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets of the associate plus goodwill arising on acquisition, less any impairment recognised.

In circumstances where associates or joint venture holdings arise in which the group has no strategic intention, these investments are classified as "venture capital" holdings and are designated as held at fair value through profit and loss.

All intergroup balances, transactions and unrealised gains and losses within the group are eliminated to the extent that they do not reflect an impairment to the asset.

Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment).

The business analysis is presented in terms of the group's three principal business divisions and Group Services and Other Activities.

No geographical analysis is presented for the group as Investec Bank Limited mainly operates within the Southern African region.

Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, the group reassesses the identification and measurement of all assets and liabilities (including contingent liabilities) following which any remaining excess is recognised immediately in profit and loss.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group at the applicable closing rate.

Goodwill arising on investment in associates is included within the investment in associates.

Share based payments to employees

The group engages in equity settled share based payments and in certain limited circumstances cash-settled share based payments in respect of services received from employees.

The fair value of the services received in respect of equity settled share based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share based payment is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on an estimate of the amount of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the instrument that will eventually vest. The liability is recognised at the current fair value at each balance sheet date, based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Foreign currency transactions and foreign operations

The presentation currency of the group is South African Rand, being the currency in which the group mainly operates.

Accounting policies (continued)

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expense items are translated at exchange rates ruling at the date of the transaction;
- All resulting exchange differences are recognised in equity (foreign currency translation reserve), which is recognised in profit and loss on disposal of the foreign operation;
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment;
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but excludes those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument, and, where this estimate is not readily available, the contractual life.

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commission income are only recognised when they can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.
Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs are disclosed in note 3.

Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at settlement date.

Financial assets and liabilities held at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. In certain instances debt instruments which contain equity features are designated as held at fair value through profit and loss.

Financial assets and liabilities are designated as held at fair value through profit and loss only if:

- It eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the group's key management personnel; and
- If a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit and loss;
- Those that the group designates as available for sale; and
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are accounted for at fair value through profit and loss.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows, through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line "Impairment losses on loans and advances".

Available for sale assets

Available for sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit and loss, held-to-maturity, or as loans and advances. They include strategically held equity instruments that are not associates, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held to maturity instruments, are classified as available for sale financial assets.

Financial assets classified as available for sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in equity. When the asset is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available for sale financial assets are recognised in the income statement when the right of payment has been established.

If an available for sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in equity are included in the income statement in the period in which the impairment is identified.

Impairments on available for sale equity instruments are not reversed once recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are measured at fair value.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is determined appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. The difference arising is recognised in the income statement over the life of the transaction, or when inputs become observable, or when the transaction is effectively closed out.

Subsequent to initial recognition the following financial instruments are measured at fair value:

- Fixed maturity securities classified as trading, held at fair value through profit and loss or available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,
- Loans and advances designated as held at fair value through profit and loss,
- Loans and advances designated as available for sale; and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations. Where market prices are not available fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar listed companies, relevant third party arms' length transactions and other data specific to the investment.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Assets specifically identified as impaired are excluded from the portfolio assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's rights to cash flows has expired; or when the group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Derivative instruments

All derivative instruments of the group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

Hedge accounting

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.
For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same period during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

Trading derivatives

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

Embedded derivatives

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by the board of directors.

Sale and repurchase agreements (including securities borrowings and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "reverse repurchase agreements and cash collateral on securities borrowed".

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantees are initially recognised at fair value, being the premium received. Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where Investec is the lessor and included in liabilities where the Investec is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable or receivable are charged or credited in the income statement on a straight line basis over the lease term. Contingent rentals (if any) are charged to the income statement when incurred.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20-33%
• Motor vehicles	20-25%
• Furniture and fittings	10-20%
• Freehold buildings	2%
• Leasehold improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing

when deemed necessary.
Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently 3 to 8 years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not amortised, however they are tested for impairment on an annual basis.

Investment property

Properties held by the group which is held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions".

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.
Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on taxable profits at rates that are enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.
- In respect of taxable temporary differences associated with the investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Items recognised directly in equity are net of related taxation and deferred taxation.

Employee benefits

The group operates various defined contribution schemes. All employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post retirement benefits.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations not yet effective.

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

Revised IAS 1 – Presentation of Financial Statements (applicable for reporting periods beginning on or after 1 January 2009)

The revised standard introduces changes to the presentation of financial statements and does not affect the recognition, measurement or disclosure of specific transactions. The standard will not affect the financial position or results of the group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group. The changes are not expected to be of any significance to the current level of disclosure in the group financial statements.

Amendments to IFRS 2 – Share Based Payments (applicable for reporting periods beginning on or after 1 January 2009)

The amendments clarify that vesting conditions comprise only service conditions and performance conditions and clarifies the accounting treatment of a failure to meet a non vesting condition. Adoption of the standard is not expected to have a significant impact on the group financial statements.

Revised IFRS 3 – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for business combinations for which the acquisition date is on or after the beginning of the reporting periods on or after 1 July 2009)

The main changes to the standard that affects the groups current policies is that acquisition related costs are expensed in the income statement in the periods in which the costs are incurred and the services received, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in equity). Currently the group recognises acquisition costs as part of the purchase consideration.

IFRS 8 – Operating Segments (applicable for reporting periods beginning on or after 1 January 2009)

The standard relates to disclosure requirements for segmental information and replaces IAS 14 - Segmental Reporting. The group is of the view that segmental disclosure is closely aligned with the requirements of IFRS 8 and therefore implementation of the standard would result in minimal changes to disclosure.

Amendments to IAS 32 – Financial Instruments Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (applicable for reporting periods beginning on or after 1 January 2009)

The interpretation introduces a restriction on the amount that an entity can recognise in the balance sheet relating to when the entity does not have an unconditional right to a refund. The group is currently evaluating the effect, if any, of this amendment on the consolidated financial statements.

IFRIC 13 – Customer Loyalty Programmes (applicable for reporting periods beginning on or after 1 January 2009)

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The group is currently evaluating the effect of this interpretation on the consolidated financial statements.

The following interpretation has been issued which is deemed to have no impact on the group financial statements but has not been formally adopted by the group:

- IFRIC 12 – Service Concession Arrangements

Comparative figures

Comparative figures have been reclassified where necessary to conform to changes in presentation in the current year. These are further described below:

- Securitised assets and related liabilities, which continue to be recognised on balance sheet, are now disclosed as separate line items on the face of the balance sheet. In prior periods, securitised assets were included within loans and advances to customers and trading securities and securitised liabilities were included in debt securities in issue and other liabilities.
- Following the implementation of IFRS 7 disclosure requirements, the classification of certain financial instruments into balance sheet classes were refined to achieve more appropriate disclosure. Adjustments to the prior year balance sheet comprise R17 961 million reclassified from debt securities in issue to customer accounts, as these balances are seen as term deposits rather than debt instruments in issue.
- In order to more appropriately present the cash flow information, the following reclassifications were made to the prior year cash flow statement.
  - Dividends paid of R311 million have been reclassified from operating activities to financing activities as they are seen to be a cost of obtaining financial resources; and
  - Cash flows relating to amounts due from group companies of R3.25 billion have been reclassified from financing activities to banking activities as this better reflects the nature of these amounts.

Total assets, total liabilities, total cash and cash equivalents and amounts recognised in the income statement and equity were not affected by these reclassifications.

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
2. Segmental analysis					
Group					
Business analysis 2008					
Interest income	14 733	14 967	62	(14 031)	15 731
Interest expense	(13 060)	(14 087)	(10)	14 941	(12 216)
Net interest income	**1 673**	**880**	**52**	**910**	**3 515**
Fee and commission income	435	461	192	(4)	1 084
Fee and commission expense	(4)	(23)	-	(3)	(30)
Principal transactions	184	730	318	(30)	1 202
Operating loss from associate	-	-	-	(1)	(1)
Other income	**615**	**1 168**	**510**	**(38)**	**2 255**
Total operating income before impairment losses on loans and advances	**2 288**	**2 048**	**562**	**872**	**5 770**
Impairment losses on loans and advances	(149)	(268)	(20)	(29)	(466)
Operating income	**2 139**	**1 780**	**542**	**843**	**5 304**
Administrative expenses	(1 300)	(847)	(217)	(349)	(2 713)
Depreciation, amortisation and impairment of property, equipment and software	(22)	(2)	-	(45)	(69)
Operating profit	**817**	**931**	**325**	**449**	**2 522**
Loss on disposal of group operations	(38)	-	-	-	(38)
Profit before taxation	**779**	**931**	**325**	**449**	**2 484**
Cost to income ratio	57.8%	41.5%	38.6%	45.2%	48.2%
Total assets (excluding intergroup)	68 827	85 583	1 872	5 468	161 750
Business analysis 2007					
Interest income	9 041	10 059	34	(8 795)	10 339
Interest expense	(7 766)	(9 438)	(3)	9 422	(7 785)
Net interest income	**1 275**	**621**	**31**	**627**	**2 554**
Fee and commission income	253	376	250	31	910
Fee and commission expense	(25)	(19)	(2)	-	(46)
Principal transactions	110	532	305	53	1 000
Operating loss from associate	-	-	-	(10)	(10)
Other income	**338**	**889**	**553**	**74**	**1 854**
Total operating income before impairment losses on loans and advances	**1 613**	**1 510**	**584**	**701**	**4 408**
Impairment losses on loans and advances	(63)	(62)	-	3	(122)
Operating income	**1 550**	**1 448**	**584**	**704**	**4 286**
Administrative expenses	(977)	(606)	(204)	(363)	(2 150)
Depreciation and impairment of property, equipment and software	(18)	(2)	-	(31)	(51)
Operating profit	**555**	**840**	**380**	**310**	**2 085**
Profit on disposal of group operations	-	-	-	39	39
Profit before taxation	**555**	**840**	**380**	**349**	**2 124**
Cost to income ratio	61.7%	40.3%	34.9%	56.2%	49.9%
Total assets (excluding intergroup)	57 442	71 109	1 386	3 074	133 011

Notes to the financial statements

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
2. Segmental analysis (continued)					
Company					
Business analysis 2008					
Interest income	13 271	13 532	62	(13 726)	13 139
Interest expense	(11 712)	(12 835)	(5)	14 447	(10 105)
Net interest income	**1 559**	**697**	**57**	**721**	**3 034**
Fee and commission income	408	451	192	(22)	1 029
Fee and commission expense	3	(18)	-	-	(15)
Principal transactions	184	647	246	61	1 138
Other income	**595**	**1 080**	**438**	**39**	**2 152**
Total operating income before impairment losses on loans and advances	**2 154**	**1 777**	**495**	**760**	**5 186**
Impairment losses on loans and advances	(144)	(128)	(20)	(22)	(314)
Operating income	**2 010**	**1 649**	**475**	**738**	**4 872**
Administrative expenses	(1 219)	(813)	(217)	(278)	(2 527)
Depreciation, amortisation and impairment of property, equipment and software	(22)	(2)	-	(43)	(67)
Profit before taxation	**769**	**834**	**258**	**417**	**2 278**
Cost to income ratio	57.6%	46.0%	43.8%	41.9%	50.0%
Total assets (excluding intergroup)	65 470	76 389	1 813	4 886	148 558
Business analysis 2007					
Interest income	8 243	8 921	36	(8 497)	8 703
Interest expense	(7 044)	(8 375)	(1)	9 003	(6 417)
Net interest income	**1 199**	**546**	**35**	**506**	**2 286**
Fee and commission income	235	370	250	1	856
Fee and commission expense	(23)	(17)	(2)	-	(42)
Principal transactions	110	435	276	92	913
Other income	**322**	**788**	**524**	**93**	**1 727**
Total operating income before impairment losses on loans and advances	**1 521**	**1 334**	**559**	**599**	**4 013**
Impairment losses on loans and advances	(64)	(63)	-	8	(119)
Operating income	**1 457**	**1 271**	**559**	**607**	**3 894**
Administrative expenses	(942)	(587)	(204)	(304)	(2 037)
Depreciation and impairment of property, equipment and software	(17)	(2)	-	(30)	(49)
Operating profit	**498**	**682**	**355**	**273**	**1 808**
Profit on disposal of group operations	-	-	-	47	47
Profit before taxation	**498**	**682**	**355**	**320**	**1 855**
Cost to income ratio	63.1%	44.2%	36.5%	55.8%	52.0%
Total assets (excluding intergroup)	53 516	64 339	1 345	3 019	122 219

Notes to the financial statements

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
2. Segmental analysis (continued)				
Further breakdowns of business line operating profit before non-operating items and taxation are shown below:				
Private Client Activities				
Private Banking	**817**	**555**	**769**	**498**
Capital Markets	**931**	**840**	**830**	**682**
Investment Banking				
Corporate Finance	106	136	106	136
Direct Investments	103	146	35	121
Private Equity	116	98	117	98
	325	**380**	**258**	**355**
Group Services and Other Activities				
International Trade Finance	58	34	-	-
Central Funding	761	603	777	594
Central Costs	(370)	(327)	(356)	(321)
	449	**310**	**421**	**273**
	2 522	**2 085**	**2 278**	**1 808**

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these business, but is centrally held.

No geographical analysis has been presented as Investec Bank Limited only operates in one geographical segment, namely Southern Africa.

3. Principal transactions

	Group 2008	Group 2007	Company 2008	Company 2007
Principal transaction income includes:				
Gross trading income	1 665	467	1 687	415
Funding cost set-off against trading income	(606)	(309)	(606)	(273)
Net trading income	1 059	158	1 081	142
Net income from financial instruments designated as at fair value through profit and loss	(27)	819	(160)	698
Dividend income	170	23	217	73
	1 202	**1 000**	**1 138**	**913**
Net income from financial instruments designated as at fair value through profit and loss includes:				
Fair value movement of designated equity positions	487	633	384	527
Fair value movement of designated loans and receivables	(689)	27	(734)	26
Fair value movement of designated securities	(5)	14	-	-
Fair value movement of designated liabilities	180	145	190	145
	(27)	**819**	**(160)**	**698**

Notes to the financial statements

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
4. Administrative expenses				
Staff costs	1 917	1 446	1 834	1 384
- Salaries and wages (including directors' remuneration)	1 666	1 254	1 589	1 197
- Share based payments expense	170	124	166	121
- Social security costs	11	9	10	9
- Pensions and provident fund contributions	70	59	69	57
Premises (excluding depreciation)	198	194	191	187
Equipment (excluding depreciation)	197	135	180	127
Business expenses	293	266	219	235
Marketing expenses	108	109	103	104
	2 713	**2 150**	**2 527**	**2 037**
The following amounts were paid to the auditors:				
Audit fees	35	33	33	30
Audit related fees	-	1	-	1
Other services	-	4	-	4
	35	**38**	**33**	**35**
Audit fees by audit firm				
Ernst & Young Inc.	19	21	18	19
KPMG Inc.	16	16	15	15
Other	-	1	-	1
	35	**38**	**33**	**35**
Minimum operating lease payments recognised in administrative expenses	**208**	**203**	**208**	**202**

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 65 to 73.

For the year to 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
5. Share based payments				
The group operates share option and share purchase schemes for employees, which is on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the remuneration report.				
Expense charged to the income statement:				
Equity settled	170	124	166	121
Fair value of options granted in the year	**301**	**334**	**290**	**324**

	Group 2008 Number of share options	Group 2008 Weighted average exercise price ZAR	Group 2007 Number of share options	Group 2007 Weighted average exercise price ZAR	Company 2008 Number of share options	Company 2008 Weighted average exercise price ZAR	Company 2007 Number of share options	Company 2007 Weighted average exercise price ZAR
Details of options outstanding during the year								
Outstanding at the beginning of the year	22 747 348	14.18	28 636 450	21.76	22 185 153	14.25	27 840 215	21.76
Granted during the year	5 584 600	-	4 576 341	-	5 365 850	-	4 447 401	-
Exercised during the year*	(5 590 947)	30.83	(6 184 840)	30.41	(5 489 343)	30.83	(6 051 495)	30.33
Expired during the year	(1 581 155)	7.57	(4 280 603)	26.27	(1 573 520)	7.57	(4 050 968)	26.16
Outstanding at the end of the year	**21 159 846**	**6.53**	**22 747 348**	**14.18**	**20 488 140**	**6.58**	**22 185 153**	**14.25**
Exercisable at the end of the year	**1 958 528**	**38.96**	**2 671 796**	**39.15**	**1 915 403**	**38.96**	**2 663 871**	**39.13**

* Options were exercised at the average share price during the year.

The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2008, were as follows:

	2008	2007
Options with strike prices		
Exercise price range	R20.28 - R57.60	R20.28 - R57.60
Weighted average remaining contractual life	2.33 years	2.22 years
Long term incentive grants with no strike price		
Exercise price range	R0	R0
Weighted average remaining contractual life	3.34 years	3.82 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
- Share price at date of grant	R71 - R92	R64 - R81
- Exercise price	R nil	R nil
- Expected volatility	30%	35%-39%
- Option life	5 years	5 years
- Expected dividend yields	4.30% - 6%	3.94% - 4%
- Risk-free rate	9.55% - 10.20%	8.82% - 8.94%

Expected volatility was determined based on the historical volatility of the respective share price over 6 months. The expected attrition rates used were determined based on historical group data, with an adjustment to actual attrition on final vesting.

For more information on the share options granted, refer to the remuneration report on pages 65 to 73.

For the year to 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
6. Taxation				
Taxation on income	**686**	**475**	**669**	**424**
South Africa	678	462	669	424
- current taxation	671	460	627	447
- deferred taxation	7	2	42	(23)
Foreign taxation	8	13	-	-
- Mauritius	8	13	-	-
Secondary taxation on companies	-	97	-	97
Total tax charge for the year	**686**	**572**	**669**	**521**
Tax rate reconciliation				
Profit before taxation as per income statement	2 484	2 124	2 278	1 855
Total taxation charge in income statement	686	572	669	521
Less: secondary taxation on companies	-	(97)	-	(97)
Total taxation on income	**686**	**475**	**669**	**424**
Effective rate of taxation	27.6%	22.4%	29.4%	22.9%
The standard rate of South African normal taxation has been affected by:				
- dividend income	2.0%	0.3%	2.8%	1.1%
- foreign earnings*	1.8%	3.9%	-	-
- other permanent differences	(2.4%)	2.4%	(3.2%)	5.0%
	29.0%	**29.0%**	**29.0%**	**29.0%**

* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
7. Dividends				
Ordinary dividend				
Interim dividend for current year	650	190	650	190
Total dividend attributable to ordinary shareholders recognised in current financial year	**650**	**190**	**650**	**190**

Perpetual preference dividend

	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million
Final dividend in previous year	459.04	69	392.67	59	459.04	69	392.67	59
Interim dividend for current year	486.98	73	412.50	62	486.98	73	412.50	62
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**946.02**	**142**	**805.17**	**121**	**946.02**	**142**	**805.17**	**121**

The directors have declared a final dividend in respect of the financial year ended 31 March 2008 of 537.23 cents (2007: 459.04 cents) per perpetual preference share.

The final dividend on perpetual preference shares will be payable on 3 July 2008 to shareholders on the register at the close of business on 20 June 2008.

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
8. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	1 798	1 549	1 609	1 334
Preference dividends paid	(142)	(121)	(142)	(121)
Earnings attributable to ordinary shareholders	**1 656**	**1 428**	**1 467**	**1 213**
Headline adjustments:	38	(39)	-	(47)
Loss/(profit) on disposal of group entities	38	(39)	-	(47)
Headline earnings attributable to ordinary shareholders	**1 694**	**1 389**	**1 467**	**1 166**

For the year to 31 March 2008 R'million	At fair value through profit and loss		Held to maturity
	Trading	Designated at inception	
9. Analysis of income and expenses by category of financial instrument			
Group			
2008			
Net interest income	(48)	474	21
Fee and commission income	163	7	-
Fee and commission expense	(3)	-	-
Principal transactions	1 665	143	-
Operating income from associate	-	-	-
Total operating income before impairment losses on loans and advances	**1 777**	**624**	**21**
Impairment losses on loans and advances	-	-	-
Operating income	**1 777**	**624**	**21**
2007			
Net interest income	(146)	302	-
Fee and commission income	(79)	4	-
Fee and commission expense	(3)	(3)	-
Principal transactions	467	842	-
Operating income from associate	-	-	-
Total operating income before impairment losses on loans and advances	**239**	**1 145**	**-**
Impairment losses on loans and advances	-	-	-
Operating income	**239**	**1 145**	**-**
Company			
Net interest income	(61)	388	-
Fee and commission income	167	7	-
Fee and commission expense	(3)	-	-
Principal transactions	1 687	8	-
Total operating income before impairment losses on loans and advances	**1 790**	**403**	**-**
Impairment losses on loans and advances	-	-	-
Operating income	**1 790**	**403**	**-**
2007			
Net interest income	23	273	-
Fee and commission income	(75)	4	-
Fee and commission expense	(3)	(3)	-
Principal transactions	415	721	-
Total operating income before impairment losses on loans and advances	**360**	**995**	**-**
Impairment losses on loans and advances	-	-	-
Operating income	**360**	**995**	**-**

Loans and receivables	Financial liabilities at amortised cost	Other fee income	Non-financial instruments	Total
9 701	(6 633)	-	-	3 515
329	-	585	-	1 084
(14)	(4)	(9)	-	(30)
-	(606)	-	-	1 202
-	-	-	(1)	(1)
10 016	**(7 243)**	**576**	**(1)**	**5 770**
(466)	-	-	-	(466)
9 550	**(7 243)**	**576**	**(1)**	**5 304**
8 457	(6 059)	-	-	2 554
168	-	817	-	910
(3)	(10)	(27)	-	(46)
-	(309)	-	-	1 000
-	-	-	(10)	(10)
8 622	**(6 378)**	**790**	**(10)**	**4 408**
(122)	-	-	-	(122)
8 500	**(6 378)**	**790**	**(10)**	**4 286**
8 666	(5 959)	-	-	3 034
289	-	566	-	1 029
1	(4)	(9)	-	(15)
-	(606)	-	49	1 138
8 956	**(6 569)**	**557**	**49**	**5 186**
(314)	-	-	-	(314)
8 642	**(6 569)**	**557**	**49**	**4 872**
7 287	(5 304)	7	-	2 286
136	-	791	-	856
1	(10)	(27)	-	(42)
-	(273)	-	50	913
7 424	**(5 587)**	**771**	**50**	**4 013**
(119)	-	-	-	(119)
7 305	**(5 587)**	**771**	**50**	**3 894**

10. Analysis of financial assets and liabilities by measurement basis

The table below provides details of the categorisation of on balance sheet assets and liabilities. For financial assets and financial liabilities carried at fair value the table provides further details of the basis used for determining fair value according to the following hierarchy:

- Level 1 - The use of quoted market prices for identical instruments in an active market.
- Level 2 - The use of a valuation technique using observable inputs. This may include:
  - using quoted prices in active markets for similar instruments;
  - using quoted prices in inactive markets for identical or similar instruments; or
  - using models where all significant inputs are observable.
- Level 3 - Using models where one or more significant inputs are not observable.

The table includes investment properties in the analysis of the basis used to determine fair value, as this is an asset carried at fair value with fair value adjustments recognised through profit and loss.

At 31 March 2008 R'million	At fair value through profit and loss		Held to maturity	Loans and receivables
	Trading	Designated at inception		
Group				
Assets				
Cash and balances at central banks	-	-	-	2 811
Loans and advances to banks	-	-	-	14 418
Cash equivalent advances to customers	-	-	-	7 782
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	-	-	3 931
Trading securities	8 335	9 578	-	-
Derivative financial instruments	9 668	-	-	-
Investment securities	-	-	-	280
Loans and advances to customers	-	14 423	287	80 311
Securitised assets	-	1 624	-	4 651
Interest in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	884
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Intangible assets	-	-	-	-
Loans to group companies	-	-	-	5 812
Investment in subsidiaries	-	-	-	-
	19 824	25 625	287	120 880
Liabilities				
Deposits by banks	-	-	-	-
Derivative financial instruments	10 152	-	-	-
Other trading liabilities	266	-	-	-
Repurchase agreements and cash collateral on securities lent	1 497	-	-	-
Customer accounts	27	15 988	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	3 097	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities (including convertible debt)	-	-	-	-
	15 039	15 988	-	-

During the current year, a portfolio of loans that were previously carried at fair value, have been reclassified to be carried at amortised cost. The value of the loans at the date of reclassification was R251 million. The loans, which form part of loans and advances were previously classified as available for sale. Management intend to hold this investment to maturity and thus have reclassified it as a held to maturity financial instrument.

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
-	-	-	2 811	-	-	-	-
-	-	-	14 418	-	-	-	-
-	-	-	7 782	-	-	-	-
-	-	-	5 752	1 821	1 821	-	-
-	-	-	17 913	17 913	15 198	2 715	-
-	-	-	9 668	9 668	-	9 415	253
70	-	-	350	70	70	-	-
-	-	-	95 021	14 423	-	14 423	-
-	-	-	6 275	1 624	-	1 624	-
-	-	195	195	-	-	-	-
-	-	285	285	-	-	-	-
-	-	172	1 056	-	-	-	-
-	-	144	144	-	-	-	-
-	-	5	5	5	-	5	-
-	-	75	75	-	-	-	-
-	-	-	5 812	-	-	-	-
-	-	-	-	-	-	-	-
70	**-**	**876**	**167 562**	**45 524**	**17 089**	**28 182**	**253**
-	9 427	-	9 427	-	-	-	-
-	-	-	10 152	10 152	-	10 152	-
-	-	-	266	266	266	-	-
-	36	-	1 533	1 497	1 497	-	-
-	99 639	-	115 654	16 015	-	16 015	-
-	2 524	-	2 524	-	-	-	-
-	2 540	-	5 637	3 097	-	3 097	-
-	-	697	697	-	-	-	-
-	-	323	323	-	-	-	-
-	2 089	1 590	3 679	-	-	-	-
-	4 710	-	4 710	-	-	-	-
-	**120 965**	**2 610**	**154 602**	**31 027**	**1 763**	**29 264**	**-**

At 31 March 2007 R'million	At fair value through profit and loss Trading	Designated at inception	Loans and receivables
10. Analysis of financial assets and liabilities by measurement basis (continued)			
Group			
Assets			
Cash and balances at central banks	-	-	851
Loans and advances to banks	-	-	20 141
Cash equivalent advances to customers	-	-	7 214
Reverse repurchase agreements and cash collateral on securities borrowed	2 343	-	573
Trading securities	5 507	7 965	-
Derivative financial instruments	5 693	-	-
Investment securities	-	27	-
Loans and advances to customers	-	13 007	55 754
Securitised assets	-	1 929	9 876
Interest in associated undertakings	-	-	-
Deferred taxation assets	-	-	-
Other assets	-	67	849
Property and equipment	-	-	-
Investment properties	-	-	-
Intangible assets	-	-	-
Loans to group companies	-	-	9 753
	13 543	**22 995**	**105 011**
Liabilities			
Deposits by banks	-	-	-
Derivative financial instruments	5 576	-	-
Other trading liabilities	255	-	-
Repurchase agreements and cash collateral on securities lent	2 164	-	-
Customer accounts	18	13 003	-
Debt securities in issue	-	-	-
Liabilities arising on securitisation	4 611	-	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	-	63	-
Subordinated liabilities (including convertible debt)	-	-	-
	12 624	**13 066**	**-**

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
-	-	-	851	-	-	-	-
-	-	-	20 141	-	-	-	-
-	-	-	7 214	-	-	-	-
-	-	-	2 916	2 343	2 343	-	-
-	-	-	13 472	13 472	11 952	1 520	-
-	-	-	5 693	5 693	4	5 361	328
2	-	-	29	29	1	28	-
415	-	-	69 174	13 422	-	13 422	-
-	-	-	11 807	1 929	-	1 929	-
-	-	221	221	-	-	-	-
-	-	263	263	-	-	-	-
-	-	146	1 062	67	67	-	-
-	-	104	104	-	-	-	-
-	-	3	3	3	-	3	-
-	-	61	61	-	-	-	-
-	-	-	9 753	-	-	-	-
417	**-**	**798**	**142 764**	**36 958**	**14 367**	**22 263**	**328**
-	12 959	-	12 959	-	-	-	-
-	-	-	5 576	5 576	3	5 573	-
-	-	-	255	255	255	-	-
-	214	-	2 378	2 164	2 164	-	-
-	78 014	-	91 035	13 021	-	13 021	-
-	1 343	-	1 343	-	-	-	-
-	7 124	-	11 735	4 611	-	4 611	-
-	-	307	307	-	-	-	-
-	-	284	284	-	-	-	-
-	2 430	1 277	3 770	63	63	-	-
-	3 066	-	3 066	-	-	-	-
-	**105 150**	**1 868**	**132 708**	**25 690**	**2 485**	**23 205**	**-**

At 31 March 2008 R'million	At fair value through profit and loss Trading	 Designated at inception	Loans and receivables
10. Analysis of financial assets and liabilities by measurement basis (continued)			
Company			
Assets			
Cash and balances at central banks	-	-	2 801
Loans and advances to banks	-	-	13 863
Cash equivalent advances to customers	-	-	7 782
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	-	3 931
Trading securities	8 326	9 493	-
Derivative financial instruments	9 607	-	-
Investment securities	-	-	281
Loans and advances to customers	-	14 423	71 377
Securitised assets	-	-	1 084
Deferred taxation assets	-	-	-
Other assets	-	-	747
Property and equipment	-	-	-
Investment properties	-	-	-
Intangible assets	-	-	-
Loans to group companies	-	-	7 372
Investment in subsidiaries	-	-	-
	19 754	**23 916**	**109 238**
Liabilities			
Deposits by banks	-	-	-
Derivative financial instruments	10 063	-	-
Other trading liabilities	266	-	-
Repurchase agreements and cash collateral on securities lent	1 485	-	-
Customer accounts	27	15 988	-
Debt securities in issue	-	-	-
Liabilities arising on securitisation	-	-	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	-	-	-
Subordinated liabilities (including convertible debt)	-	-	-
	11 841	**15 988**	**-**

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
-	-	-	2 801	-	-	-	-
-	-	-	13 863	-	-	-	-
-	-	-	7 782	-	-	-	-
-	-	-	5 752	1 821	1 821	-	-
-	-	-	17 819	17 819	15 109	2 710	-
-	-	-	9 607	9 607	-	9 406	201
69	-	-	350	69	69	-	-
-	-	-	85 800	14 423	-	14 423	-
-	-	-	1 084	-	-	-	-
-	-	268	268	-	-	-	-
-	-	158	905	-	-	-	-
-	-	135	135	-	-	-	-
-	-	1	1	1	-	1	-
-	-	71	71	-	-	-	-
-	-	-	7 372	-	-	-	-
-	-	2 320	2 320	-	-	-	-
69	**-**	**2 953**	**155 930**	**43 740**	**16 999**	**26 540**	**201**
-	8 379	-	8 379	-	-	-	-
-	-	-	10 063	10 063	-	10 063	-
-	-	-	266	266	266	-	-
-	36	-	1 521	1 485	1 485	-	-
-	96 482	-	112 497	16 015	-	16 015	-
-	2 524	-	2 524	-	-	-	-
-	1 084	-	1 084	-	-	-	-
-	-	681	681	-	-	-	-
-	-	312	312	-	-	-	-
-	329	1 552	1 881	-	-	-	-
-	4 710	-	4 710	-	-	-	-
-	**113 544**	**2 545**	**143 918**	**27 829**	**1 751**	**26 078**	**-**

At 31 March 2007 R'million	At fair value through profit and loss Trading	Designated at inception	Loans and receivables
10. Analysis of financial assets and liabilities by measurement basis (continued)			
Company			
Assets			
Cash and balances at central banks	-	-	844
Loans and advances to banks	-	-	20 296
Cash equivalent advances to customers	-	-	7 214
Reverse repurchase agreements and cash collateral on securities borrowed	2 343	-	573
Trading securities	5 445	7 463	-
Derivative financial instruments	5 365	-	-
Investment securities	-	27	-
Loans and advances to customers	-	13 007	50 249
Securitised assets	-	-	6 270
Deferred taxation assets	-	-	-
Other assets	-	45	762
Property and equipment	-	-	-
Investment properties	-	-	-
Intangible assets	-	-	-
Loans to group companies	-	-	9 508
Investment in subsidiaries	-	-	1 198
	13 153	**20 542**	**96 914**
Liabilities			
Deposits by banks	-	-	-
Derivative financial instruments	5 401	-	-
Other trading liabilities	255	-	-
Repurchase agreements and cash collateral on securities lent	2 147	-	-
Customer accounts	18	13 003	-
Debt securities in issue	-	-	-
Liabilities arising on securitisation	-	-	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	-	63	-
Subordinated liabilities (including convertible debt)	-	-	-
	7 821	**13 066**	**-**

Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
-	-	844	-	-	-	-
-	-	20 296	-	-	-	-
-	-	7 214	-	-	-	-
-	-	2 916	2 343	2 343	-	-
-	-	12 908	12 908	10 978	1 930	-
-	-	5 365	5 365	-	5 228	137
-	-	27	27	-	27	-
-	-	63 256	13 007	-	13 007	-
-	-	6 270	-	-	-	-
-	249	249	-	-	-	-
-	107	914	45	45	-	-
-	96	96	-	-	-	-
-	1	1	1	-	1	-
-	58	58	-	-	-	-
-	-	9 508	-	-	-	-
-	607	1 805	-	-	-	-
-	**1 118**	**131 727**	**33 696**	**13 366**	**20 193**	**137**
12 018	-	12 018	-	-	-	-
-	-	5 401	5 401	-	5 401	-
-	-	255	255	255	-	-
214	-	2 361	2 147	2 147	-	-
76 045	-	89 066	13 021	-	13 021	-
1 559	-	1 559	-	-	-	-
6 272	-	6 272	-	-	-	-
-	294	294	-	-	-	-
-	240	240	-	-	-	-
629	1 217	1 909	63	63	-	-
3 066	-	3 066	-	-	-	-
99 803	**1 751**	**122 441**	**20 887**	**2 465**	**18 422**	**-**

Financial statements

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
11. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	1 821	2 343	1 821	2 343
Cash collateral on securities borrowed	3 931	573	3 931	573
	5 752	2 916	5 752	2 916

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 31 March 2008 amounts to R1.8 billion (2007: R2.3 billion) of which R1.6 billion (2007: R1.9 billion) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions

	Group 2008	Group 2007	Company 2008	Company 2007
Liabilities				
Repurchase agreements	1 497	2 164	1 485	2 147
Cash collateral on securities lent	36	214	36	214
	1 533	2 378	1 521	2 361

At 31 March R'million	Group				Company			
	2008		2007		2008		2007	
	Fair value	Cumulative unrealised gains/losses	Fair value	Cumulative unrealised gains/losses	Fair value	Cumulative unrealised gains/losses	Fair value	Cumulative unrealised gains/losses
12. Trading securities								
Listed equities	599	61	672	122	510	119	573	182
Unlisted equities	2 077	1 410	1 326	919	1 917	1 407	1 286	923
Promissory notes	194	7	569	19	793	7	569	19
Liquid asset bills	2 321	23	3 844	39	2 321	23	3 844	39
Debentures	12 235	99	4 963	60	11 791	161	4 538	78
Bonds	487	17	2 098	56	487	17	2 098	56
	17 913	**1 617**	**13 472**	**1 215**	**17 819**	**1 734**	**12 908**	**1 297**

13. Derivative financial instruments

The bank enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the bank in an orderly market transaction at balance sheet date.

	Group					
	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007
Foreign exchange derivatives						
Forward foreign exchange	12 160	208	969	68 249	851	1 131
Currency swaps	76 656	3 485	3 113	5 208	175	-
OTC options	5 293	93	31	3 651	16	21
Other foreign exchange contracts	-	2	4	-	-	-
OTC derivatives	94 109	3 788	4 117	77 108	1 042	1 152
Exchange traded futures	1 169	*	*	-	-	-
	95 278	**3 788**	**4 117**	**77 108**	**1 042**	**1 152**
Interest rate derivatives						
Caps and floors	11 799	31	58	16 076	19	21
Swaps	244 241	4 410	4 740	258 812	1 807	1 935
Forward rate agreements	527 712	707	662	548 653	288	370
OTC options	9 370	10	1	25 371	13	5
OTC derivatives	793 122	5 158	5 461	848 912	2 127	2 331
Exchange traded futures	-	-	-	4 752	-	3
	793 122	**5 158**	**5 461**	**853 664**	**2 127**	**2 334**
Equity and stock index derivatives						
Equity swaps and forwards	-	-	-	112	36	-
OTC options	7 636	469	542	963	663	641
OTC derivatives	7 636	469	542	1 075	699	641
Exchange traded futures	2 698	*	*	3 198	1	-
Exchange traded options	986	*	*	575	3	-
	11 320	**469**	**542**	**4 848**	**703**	**641**
Commodity derivatives						
OTC options	225	-	2	2 758	1 337	1 343
Commodity swaps and forwards	31	-	30	3 240	156	106
OTC derivatives	256	-	32	5 998	1 493	1 449
	256	**-**	**32**	**5 998**	**1 493**	**1 449**
Credit derivatives						
Credit swaps bought and sold	195	1	-	-	-	-
	195	**1**	**-**	**-**	**-**	**-**
Embedded derivatives		**252**	**-**		**328**	**-**
Derivatives per balance sheet		**9 668**	**10 152**		**5 693**	**5 576**

* Fair value of less than R1 million.

Company					
Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007
12 160	208	945	68 148	851	1 095
76 589	3 478	3 108	5 171	151	-
5 293	93	31	3 651	16	21
-	-	-	-	-	-
94 042	3 779	4 084	76 970	1 018	1 116
1 169	*	*	-	-	-
95 211	**3 779**	**4 084**	**76 970**	**1 018**	**1 116**
11 799	31	58	16 076	19	21
244 241	4 410	4 740	250 402	1 808	1 944
527 712	707	662	548 653	288	370
9 370	10	1	25 371	13	5
793 122	5 158	5 461	840 502	2 128	2 340
-	-	-	4 752	-	3
793 122	**5 158**	**5 461**	**845 254**	**2 128**	**2 343**
-	-	-	112	36	-
7 636	469	486	872	663	493
7 636	469	486	984	699	493
2 698	*	*	3 198	1	-
986	*	*	575	3	-
11 320	**469**	**486**	**4 757**	**703**	**493**
225	-	2	2 758	1 337	1 343
31	-	30	3 015	42	106
256	-	32	5 773	1 379	1 449
256	**-**	**32**	**5 773**	**1 379**	**1 449**
195	1	-	-	-	-
195	**1**	**-**	**-**	**-**	**-**
	200	**-**		**137**	**-**
	9 607	**10 063**		**5 365**	**5 401**

At 31 March R'million	Group 2008	2007	Company 2008	2007
14. Investment securities				
Listed equities	1	1	-	-
Unlisted equities	69	-	69	-
Bonds	280	28	281	27
	350	**29**	**350**	**27**

15. Designated at fair value: loans and receivables and financial liabilities

At 31 March R'million	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Maximum exposure to credit risk
Loans and receivables designated at fair value through profit and loss				
2008				
Loans and advances to customers	14 423	698	2 070	14 423
	14 423	**698**	**2 070**	**14 423**
2007				
Loans and advances to customers	13 007	(390)	(510)	13 007
	13 007	**(390)**	**(510)**	**13 007**

Given the lack of market related credit discount rates for these specific assets, the group has been unable to determine fair value adjustments related to credit risk.

	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment attributable to credit risk Year to date	Fair value adjustment attributable to credit risk Cumulative
Financial liabilities designated at fair value through profit and loss				
2008				
Customer accounts	15 988	16 041	(192)	(53)
	15 988	**16 041**	**(192)**	**(53)**
2007				
Customer accounts	13 003	12 863	(146)	140
	13 003	**12 863**	**(146)**	**140**

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
16. Loans and advances to customers				
Category analysis				
Private banking - professional and high net worth individuals	65 375	47 426	62 184	46 063
Corporate sector	18 890	15 273	17 699	12 856
Financial institutions other than banks	10 191	6 018	6 283	4 577
Trade finance	999	761	-	-
Other	3	5	1	7
	95 458	**69 483**	**86 167**	**63 503**
Specific impairment	(365)	(236)	(335)	(210)
Portfolio impairment	(72)	(73)	(32)	(37)
	95 021	**69 174**	**85 800**	**63 256**
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments				
Specific impairment				
Balance at beginning of year	236	237	210	190
Charge to the income statement	455	133	307	129
Acquired	2	(2)	146	-
Utilised	(382)	(134)	(377)	(109)
Exchange adjustment	54	2	49	-
Balance at end of year	**365**	**236**	**335**	**210**
Portfolio impairment				
Balance at beginning of year	73	91	37	55
Charge to the income statement	11	(13)	7	(12)
Utilised	(12)	(5)	(12)	(6)
Balance at end of year	**72**	**73**	**32**	**37**
Impairments of loans and advances to customers can be analysed between core and non-core loans and advances to customers as follows:				
Specific impairment				
- Core loans	300	236	270	210
- Non-core loans	65	-	65	-
	365	**236**	**335**	**210**
Portfolio impairment				
- Core loans	72	73	33	37
- Non-core loans	-	-	-	-
	72	**73**	**33**	**37**

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
17. Securitised assets				
Securitised assets are comprised of the following categories of assets:				
Loans and advances to banks	93	466	-	-
Trading securities	1 624	1 929	-	-
Loans and advances to customers	4 558	9 415	1 084	6 273
	6 275	**11 810**	**1 084**	**6 273**
Impairment of loans and advances to customers	-	(3)	-	(3)
Total securitised assets	**6 275**	**11 807**	**1 084**	**6 270**
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation".				
Carrying value at year end	**5 637**	**11 735**	**1 084**	**6 272**
In the company, assets subject to securitisation continue to be recognised, although legally disposed of to special purpose vehicles, when it is determined that the company continues to hold the majority of risks and rewards. A significant factor in this determination is the level of lower tranched investment that the company holds in relation to probable levels of future losses.				
Securitised loans and advances to customers				
Category analysis				
Private banking - professional and high net worth individuals	2 151	8 597	1 084	6 272
Corporate sector	2 407	818	-	-
	4 558	**9 415**	**1 084**	**6 272**
Specific impairments	*	(1)	*	(1)
Portfolio impairments	*	(2)	*	(2)
	4 558	**9 412**	**1 084**	**6 269**

* Less than R1 million.

Securitised liabilities

Securitised Liabilities include bonds and medium term notes repayable. Of the R5.6 billion securitised liabilities, R5.3 billion are listed on the Bond Exchange of South Africa and have maturity dates as noted below:

R5.2 billion
Final legal maturity of 26 June 2008.

R26.3 million
Final legal maturity of 10 June 2018.

R91.7 million
Final legal maturity of 10 January 2045.

At 31 March R'million	Group 2008	 2007
18. Interest in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	195	221
Investment in associated undertaking	195	221
Analysis of the movement in our share of net assets:		
At beginning of year	221	-
Acquisitions	-	83
Repayment of loan notes	(25)	
Loan to associate	-	148
Share of associate losses	(1)	(10)
Share of net asset value at end of year	**195**	**221**
Associated undertakings:		
Unlisted	195	221
	195	221

The group holds 23.9% of the shareholding of Global Ethanol Holdings Limited. The directors' valuation of the investment in associate approximates its carrying value.

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
19. Deferred taxation				
19.1 Deferred taxation asset				
Income and expenditure accruals	285	263	268	249
	285	**263**	**268**	**249**
19.2 Deferred taxation liability				
Unrealised fair value adjustments on financial instruments	320	284	312	240
Other temporary differences	3	-	-	-
	323	**284**	**312**	**240**
Net deferred taxation (liability)/asset	**(38)**	**(21)**	**(44)**	**9**
Reconciliation of net deferred taxation asset/(liability)				
Opening balance	(21)	77	9	82
Charge to the income statement	(7)	(2)	(42)	23
Charged directly to equity	(10)		(11)	
Secondary taxation on companies credits utilised	-	(96)	-	(96)
Closing balance	**(38)**	**(21)**	**(44)**	**9**

Deferred tax assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

Notes to the financial statements

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
20. Other assets				
Settlement debtors	75	86	75	86
Accruals and prepayments	239	451	225	292
Other debtors	742	525	605	536
	1 056	**1 062**	**905**	**914**

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
21. Property and equipment					
Group					
2008					
Cost					
At beginning of year	5	18	116	172	311
Additions	-	1	17	62	80
Disposals	-	-	(11)	(10)	(21)
At end of year	**5**	**19**	**122**	**224**	**370**
Accumulated depreciation and impairment					
At beginning of year	-	(2)	(73)	(132)	(207)
Disposals	-	-	8	6	14
Depreciation charge for the year	-	(3)	(5)	(25)	(33)
At end of year	**-**	**(5)**	**(70)**	**(151)**	**(226)**
Net book value	**5**	**14**	**52**	**73**	**144**
2007					
Cost					
At beginning of year	5	4	107	156	272
Additions	-	17	16	26	59
Disposals	-	(3)	(7)	(10)	(20)
At end of year	**5**	**18**	**116**	**172**	**311**
Accumulated depreciation and impairment					
At beginning of year	-	(3)	(65)	(119)	(187)
Disposals	-	3	-	2	5
Depreciation charge for the year	-	(2)	(8)	(15)	(25)
At end of year	**-**	**(2)**	**(73)**	**(132)**	**(207)**
Net book value	**5**	**16**	**43**	**40**	**104**

At 31 March R'million	Leasehold improvements	Furniture and vehicles	Equipment	Total
21. Property and equipment (continued)				
Company				
2008				
Cost				
At beginning of year	18	112	167	297
Additions	1	15	63	79
Disposals	-	(11)	(9)	(20)
At end of year	**19**	**116**	**221**	**356**
Accumulated depreciation and impairment				
At beginning of year	(2)	(69)	(130)	(201)
Disposals	-	6	5	11
Depreciation charge for the year	(3)	(3)	(25)	(31)
At end of year	**(5)**	**(66)**	**(150)**	**(221)**
Net book value	**14**	**50**	**71**	**135**
2007				
Cost				
At beginning of year	4	103	151	258
Additions	17	16	26	59
Disposals	(3)	(7)	(10)	(20)
At end of year	**18**	**112**	**167**	**297**
Accumulated depreciation and impairment				
At beginning of year	(3)	(62)	(118)	(183)
Disposals	3	-	3	6
Depreciation charge for the year	(2)	(7)	(15)	(24)
At end of year	**(2)**	**(69)**	**(130)**	**(201)**
Net book value	**16**	**43**	**37**	**96**

22. Investment properties

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
Fair value				
At the beginning of year	3	7	1	5
Additions	2	-	-	-
Disposals	-	(4)	-	(4)
At the end of year	**5**	**3**	**1**	**1**

The bank values its investment properties twice annually. The properties were valued by directors who are sworn valuers of the company concerned. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. No investment properties are occupied by group entities.

Notes to the financial statements

At 31 March R'million	Group Acquired software	 Internally generated software	 Total	Company Acquired software	 Internally generated software	 Total
23. Intangible assets						
2008						
Cost						
At beginning of year	130	35	165	124	35	159
Additions	29	21	50	29	20	49
Disposals	(1)	-	(1)	-	-	-
At end of year	**158**	**56**	**214**	**153**	**55**	**208**
Accumulated amortisation and impairment						
At beginning of year	(79)	(25)	(104)	(76)	(25)	(101)
Disposals	1	-	1	-	-	-
Amortisation charge for the year	(30)	(6)	(36)	(30)	(6)	(36)
At end of year	**(108)**	**(31)**	**(139)**	**(106)**	**(31)**	**(137)**
Net book value	**50**	**25**	**75**	**47**	**24**	**71**
2007						
Cost						
At beginning of year	91	13	104	89	13	102
Additions	39	22	61	35	22	57
At end of year	**130**	**35**	**165**	**124**	**35**	**159**
Accumulated amortisation and impairment						
At beginning of year	(72)	(6)	(78)	(70)	(6)	(76)
Amortisation charge for the year	(7)	(19)	(26)	(6)	(19)	(25)
At end of year	**(79)**	**(25)**	**(104)**	**(76)**	**(25)**	**(101)**
Net book value	**51**	**10**	**61**	**48**	**10**	**58**

At 31 March
R'million

24. Disposal of subsidiary

2008

The group held significant risks in special purpose vehicles, which resulted in these vehicles being consolidated. These risks arose from the group holding first loss positions in the assets of the vehicles. During the year, the first loss positions were sold to Investec Employee Benefits Limited. The group is therefore no longer required to consolidate these vehicles.

The net assets of the vehicles at the date of disposal were as follows:

Securitised assets	7 223
Other assets	392
Total assets	**7 615**
Liabilities arising on securitisation	(7 376)
Other liabilities	(7)
Total liabilities	**(7 383)**
Net assets disposed of	**232**
Loss on disposal	(38)
Total consideration receivable reflected as an increase in intergroup loans	**194**

2007

During the 2007 financial year, the group disposed of its shareholding in Investec Holdings (Botswana) Ltd, a subsidiary incorporated in Botswana.

The net asset of Investec Holdings (Botswana) Ltd at the date of disposal were as follows:

Loans and advances to banks	16
Other assets	3
Total assets	**19**
Current tax liabilities	(1)
Other liabilities	(2)
Total liabilities	**(3)**
Minority interests	(5)
Net assets disposed of	**11**
Profit on disposal	39
Total consideration received (satisfied by cash)	**50**

Notes to the financial statements

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
25. Loans to group companies				
Loans from holding company - Investec Limited	(132)	(185)	(132)	(193)
Loans to other group entities	3 611	5 697	5 417	7 615
Preference share investment in Investec Limited	400	751	-	-
Preference share investment in fellow subsidiaries	1 933	3 490	2 087	2 086
	5 812	**9 753**	**7 372**	**9 508**

Loans to group companies are unsecured interest bearing, with no fixed terms of repayment. Included in the loans to group companies are subordinated loans to the value of R53 million (2007: R65 million).

At 31 March R'million	Nature of business	Issued ordinary capital	Holding %	Shares at book value R'million 2008	2007	Net indebtness R'million 2008	2007
26. Investment in subsidiaries							
Principal subsidiaries companies							
Direct subsidiaries of Investec Bank Limited							
Investec Bank (Mauritius) Limited ^	Banking institution	R281 630 447	100	280	280	1 843	770
Reichmans Holdings Limited	Trade financing	R 10	100	112	112	627	494
Sechold Finance Services (Pty) Ltd	Investment holding	R 1 000	100	-	-	-	336
KWJ Investments (Pty) Ltd	Investment holding	R 100	100	-	-	240	776
AEL Investment Holdings (Pty) Ltd	Investment holding	R 1 000	100	-	-	(623)	(406)
Investpref Ltd	Investment holding	R 1 000	100	-	-	(239)	(63)
Consolidated special purpose vehicles							
Private Mortgages 1 (Pty) Ltd	Securitisation vehicle	R 1	• #	-	-	-	(34)
Private Mortgages 2 (Pty) Ltd	Securitisation vehicle	R 1	• #	-	-	-	(28)
Private Mortgages 3 (Pty) Ltd	Securitisation vehicle	R 2	• #	-	-	-	(129)
Private Residential Mortgages (Pty) Ltd	Securitisation vehicle	R 100	• #	-	63	-	(75)
Private Commercial Mortgages (Pty) Ltd	Securitisation vehicle	R 100	• #	-	125	-	(497)
Grayston Conduit 1 (Pty) Ltd	Securitisation vehicle	R 1	#	-	26	-	(14)
Corporate Finance Solutions Receivables (Pty) Ltd	Securitisation vehicle		#	-	-	-	-
Other				*	1	80	68
				392	**607**	**1 928**	**1 198**

Details of subsidiary and associated companies which are not material to the financial position of the group are not stated above. Loans to/(from) group companies are unsecured, interest bearing, with no fixed terms of repayment.

\# Investec Bank Limited has no equity interest in these special purpose vehicles, but they are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities.

• During the current year, the risks in these entities were sold, as a result, the above entities are no longer consolidated by Investec Bank Limited group.

^ Mauritius.

* Less than R1 million.

There are no subsidiaries that are not consolidated for regulatory purposes. Except for the treatment of securitisation vehicles, there is no difference in the consolidation of subsidiaries for accounting and regulatory purposes. Securitisation vehicles are not consolidated for regulatory purposes but rather specific regulatory rules are applied.

Notes to the financial statements

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
27. Other trading liabilities				
Short positions				
- gilts	266	255	266	255
	266	**255**	**266**	**255**
28. Debt securities in issue				
Remaining maturity of unlisted debt securities in issue:				
Not more than three months	1 104	275	1 104	275
Over three months but not more than one year	1 420	1 068	1 420	1 284
	2 524	**1 343**	**2 524**	**1 559**
Debt securities are made up of unlisted negotiable certificates of deposit (NCDs).				
29. Current taxation				
Income taxation payable	675	296	660	283
Indirect taxes payable	22	11	21	11
	697	**307**	**681**	**294**
30. Other liabilities				
Settlement liabilities	83	285	25	285
Cumulative redeemable preference shares including accrued dividends	1 558	1 801	-	-
Other non-interest bearing liabilities	429	375	292	400
Other creditors and accruals	1 609	1 309	1 564	1 224
	3 679	**3 770**	**1 881**	**1 909**

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
31. Subordinated debt				
Issued by Investec Bank Limited				
Unsecured subordinated CCDs	19	68	19	68
Class "C" unsecured subordinated CCDs	-	37	-	37
IV01 16% subordinated bonds	180	526	180	526
IV02 12.55% subordinated unsecured callable bonds	-	1 000	-	1 000
IV03 16% subordinated bonds	1 508	1 435	1 508	1 435
IV04 10.75% subordinated unsecured callable bonds	2 062	-	2 062	-
IV07 subordinated unsecured callable bonds	941	-	941	-
	4 710	**3 066**	**4 710**	**3 066**
All subordinated debt issued by Investec Bank Limited and its subsidiaries is denominated in South African Rand				
Remaining maturity:				
One year or less, or on demand	19	37	-	37
More than one year, but not more than two years	-	68	-	68
More than two years, but not more than five years	180	526	180	526
More than five years	4 511	2 435	4 530	2 435
	4 710	**3 066**	**4 710**	**3 066**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The compulsorily convertible debentures (CCDs) issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

Unsecured subordinated CCDs

The CCDs will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date.

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 17 869 970 Investec Limited ordinary shares.

Class C unsecured CCDs

2 000 000 Class C unsecured subordinated compulsorily convertible debentures were acquired by Investec Limited on 18 June 2002 in exchange for the issue of 869 565 Investec Bank Limited shares. On 31 March 2008 the debentures converted to Investec Limited shares.

IV01 16% subordinated bonds

R180 million (2007: R526 million) Investec Bank Limited 16% local registered unsecured subordinated bonds are due on 31 March 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012. During the year, R346 million IV01 bonds were reacquired.

IV02 12.55% subordinated unsecured callable bonds

R0 (2007: R1 000 million) Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds. R1 000 million Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds were redeemed at 31 March 2008. The bonds redemption date was 31 March 2013 but the company exercised their option to call the bonds on 31 March 2008.

IV03 16% subordinated bonds

R1 508 million (2007:R1 435 million) Investec Bank Limited local registered unsecured subordinated bonds are due on 31 March 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until

31. Subordinated debt (continued)

31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds

R2 026 million (2007: nil) Investec Bank Limited local registered unsecured subordinated bonds are due on 31 March 2018. Interest is payable six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 subordinated unsecured callable bonds

R941 million (2007: nil) Investec Bank Limited IV07 local registered unsecured subordinated callable bonds are due on 31 March 2018. Interest is payable at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

32. Ordinary share capital

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
Authorised				
105 000 000 (2007: 105 000 000) ordinary shares of 50 cents each.				
Issued				
38 451 731 (2007: 31 700 000) ordinary shares of 50 cents each.	19	16	19	16
The unissued shares are under the control of the directors until the next annual general meeting.				
33. Perpetual preference shares				
Authorised				
70 000 000 (2007: 70 000 000) non redeemable, non cumulative, non-participating preference shares of one cent each.				
Issued				
15 000 000 (2007: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R99.99 per share.	1 491	1 491	1 491	1 491

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of the South African prime interest rate, of the face value of the preference shares held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the perpetual preference shares.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

Notes to the financial statements

At 31 March R'million	Group				Company			
	2008		2007		2008		2007	
	Total future minimum payments	Present value	Total future minimum payments	Present value	Total future minimum payments	Present value	Total future minimum payments	Present value
34. Miscellaneous balance sheet disclosure								
Finance lease receivables included in loans and advances to customers								
Lease receivables in:								
Less than 1year	259	182	302	252	-	-	116	107
1-5 years	388	318	248	204	1	1	7	5
	647	**500**	**550**	**456**	**1**	**1**	**123**	**112**
Unearned finance income	**147**		**94**		**-**		**11**	

At 31 March 2008 and 31 March 2007, there were no unguaranteed residual values.

35. Notes to cash flow statement

For the year 31 March R'million	Group		Company	
	2008	2007	2008	2007
Cash generated from operating activities is derived as follows:				
Profit before taxation	2 484	2 124	2 278	1 855
Adjustments for:				
Interests expense on subordinated debt (including convertible debt)	24	(74)	24	(74)
Depreciation, amortisation and impairment of property and equipment	69	51	67	49
Impairment of loans and advances	466	122	314	119
Operating loss from associate	1	10	-	-
Loss/(profit) on disposal of subsidiary	38	(39)	-	(47)
Cash generated by operating activities	**3 082**	**2 194**	**2 683**	**1 902**
Taxation paid				
Opening balance on net taxation liability	(328)	(345)	(285)	(323)
Current year normal taxation charge	(686)	(572)	(669)	(521)
Recognised directly in equity	(10)	1	(11)	-
Closing balance on net taxation liability	735	328	725	285
Taxation paid	**(289)**	**(588)**	**(240)**	**(559)**
Increase in operating assets				
Loans and advances to banks	6 294	(8 963)	6 935	(8 535)
Reverse repurchase agreements and cash collateral on securities borrowed	(2 836)	(1 692)	(2 836)	(1 692)
Trading securities	(4 441)	(3 193)	(4 911)	(2 851)
Derivative financial instruments	(3 975)	3 339	(4 242)	3 474
Investment securities	(264)	2	(253)	3
Loans and advances to customers	(27 058)	(15 825)	(22 858)	(15 521)
Loans to group companies	3 941	(3 245)	2 136	(3 225)
Other assets	(2 077)	(205)	5 195	(435)
	(30 416)	**(29 782)**	**(20 834)**	**(28 782)**
Increase in operating liabilities				
Deposits by banks	(3 532)	5 183	(3 639)	5 052
Derivative financial instruments	4 576	(1 562)	4 662	(1 470)
Other trading liabilities	11	(11)	11	(11)
Repurchase agreements and cash collateral on securities lent	(845)	1 459	(840)	1 462
Customer accounts	24 619	16 873	23 431	15 868
Debt securities in issue	1 181	7 368	965	2 620
Other liabilities	1 389	(252)	(5 216)	4 041
	27 399	**29 058**	**19 374**	**27 562**

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
36. Commitments				
Undrawn facilities	29 564	7 566	29 527	7 272
Other commitments	-	-	1 030	530
	29 564	**7 566**	**30 557**	**7 802**
The group has entered into forward foreign exchange contracts in the normal course of its banking business for which the fair value is recorded on balance sheet				
Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases:				
Less than 1 year	148	207	148	207
1- 5 years	1 019	1 014	1 019	1 014
Later than 5 years	2 273	2 090	2 273	2 090
	3 440	**3 311**	**3 440**	**3 311**
At 31 March 2008, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% per annum.				
37. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrevocable letters of credit	5 467	4 606	4 919	4 237
- acceptances and other debt agreements	-	-	14	-
	5 467	**4 606**	**4 933**	**4 237**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business. Included in the guarantees issued is a guarantee issued by Investec Bank Limited in favour of The South African Insurance Association for an amount of R67 million (2007: R67 million).

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the group.

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
38. Related party transactions				
Compensation to the board of directors and other key management personnel*				
Short-term employee benefits	80	68	80	68
Share-based payments	20	18	20	18
	100	**86**	**100**	**86**

* Key management personnel are board directors and members of the Global Operations Forum.

For the year to 31 March R'million	Group 2008 Balance at end of year	 2007 Balance at end of year	Company 2008 Balance at end of year	 2007 Balance at end of year
Transactions, arrangements and agreements involving directors and others				
Particulars of transactions, arrangements and agreements entered into by the bank with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:				
Directors, key management and connected persons and companies controlled by them				
Loans and advances	192	228	192	228
Guarantees	10	15	10	15
Deposits	(316)	(120)	(316)	(120)
	(114)	**123**	**(114)**	**123**
The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.				
Transactions with other related parties				
Various members of key management personnel are members of the boards of directors of other companies. At 31 March 2008, Investec Bank Limited group had the following loans outstanding from these related parties	178	310	178	310
F Titi had a 11% holding in Tiso Group the prior year. At 31 March Investec Bank Limited group had the following total investments in Tiso Group and its affiliate companies	295	286	295	286

During the current year F Titi disposed of his holding in Tiso Group, hence this is no longer a related party.

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Investec Bank Limited disposed of its investment in Investec Holdings (Botswana) limited during the prior year to Investec Asset Management Holdings (Pty) Limited on an arms length basis. The sale had no material effect on the group's financial results and position.

Refer to note 25 for loans to group companies and note 26 for loans to subsidiary companies.

Other transactions relating to directors, refer to pages 65 to 73 in the directors's remuneration report.

39. Hedges

The group uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central Treasury. Once aggregated and netted, capital markets, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedge achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains/ (losses) on hedging instrument	Current year gains/ (losses) on hedging instrument	Cumulative gains/ (losses) on hedged item	Current year gains/ (losses) on hedged item
2008						
Interest rate swaps						
- liabilities	Subordinated bonds	45	134	207	(135)	(198)
		45	**134**	**207**	**(135)**	**(198)**
2007						
Interest rate swaps						
- liabilities	Subordinated bonds	162	73	118	(63)	(112)
		162	**73**	**118**	**(63)**	**(112)**

There were no cash flow hedges at year end.

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
40. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2008								
Liabilities								
Deposits by banks	183	696	1 228	195	3 789	3 718	-	9 809
Derivative financial instruments	9 920	2	8	11	86	177	709	10 913
Repurchase agreements and cash collateral on securities lent	1 521	-	-	12	-	-	-	1 533
Customer accounts	36 055	20 764	26 876	11 632	17 887	4 317	1 459	118 990
Debt securities in issue	-	935	169	1 061	359	-	-	2 524
Liabilities arising on securitisation	8	1 996	2 616	9	-	891	117	5 637
Other liabilities	885	204	793	345	261	1 309	188	3 985
	48 572	24 597	31 690	13 265	22 382	10 412	2 473	153 391
Subordinated liabilities (including convertible debt)	-	-	19	-	-	180	4 511	4 710
On balance sheet liabilities	**48 572**	**24 597**	**31 709**	**13 265**	**22 382**	**10 592**	**6 984**	**158 101**
Off balance sheet liabilities	5 308	12	1 271	109	423	4 767	3 525	15 415
Total liabilities	**53 880**	**24 609**	**32 980**	**13 374**	**22 805**	**15 359**	**10 509**	**173 516**
2007								
Deposits by banks	356	4 997	712	61	618	7 649	213	14 606
Derivative financial instruments	5 249	-	38	2	4	115	651	6 059
Repurchase agreements and cash collateral on securities lent	2 378	-	-	-	-	-	-	2 378
Customer accounts	29 674	17 760	21 558	11 838	12 176	2 113	1 134	96 253
Debt securities in issue	-	-	275	-	1 066	-	-	1 341
Liabilities arising on securitisation	328	1 861	2 253	198	28	7 266	5	11 939
Other liabilities	1 018	248	726	420	278	743	386	3 819
	39 003	**24 866**	**25 562**	**12 519**	**14 170**	**17 886**	**2 389**	**136 395**
Subordinated liabilities (including convertible debt)	-	-	37	-	-	594	2 435	3 066
On balance sheet liabilities	**39 003**	**24 866**	**25 599**	**12 519**	**14 170**	**18 480**	**4 824**	**139 461**
Off balance sheet liabilities	2 525	68	250	604	104	1 102	2 106	6 759
Total liabilities	**41 528**	**24 934**	**25 849**	**13 123**	**14 274**	**19 582**	**6 930**	**146 220**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For management's analysis of liquidity risk, please refer to page 47.

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
40. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)								
Company								
2008								
Liabilities								
Deposits by banks	183	458	1 069	195	3 789	3 067	-	8 761
Derivative financial instruments	9 920	2	8	11	24	85	625	10 675
Repurchase agreements and cash collateral on securities lent	1 521	-	-	-	-	-	-	1 521
Customer accounts	34 015	20 180	26 599	11 614	17 724	4 282	1 418	115 832
Debt securities in issue	-	935	169	1 061	359	-	-	2 524
Liabilities arising on securitisation	-	-	1	2	8	1 073	-	1 084
Other liabilities	717	136	716	72	88	460	-	2 189
	46 356	21 711	28 562	12 955	21 992	8 967	2 043	142 586
Subordinated liabilities (including convertible debt)	-	-	19	-	-	180	4 511	4 710
On balance sheet liabilities	**46 356**	**21 711**	**28 581**	**12 955**	**21 992**	**9 147**	**6 554**	**147 296**
Off balance sheet liabilities	5 308	12	1 271	109	423	4 767	3 525	15 415
Total liabilities	**51 664**	**21 723**	**29 852**	**13 064**	**22 415**	**13 914**	**10 079**	**162 711**
2007								
Deposits by banks	356	4 832	639	61	425	7 140	213	13 666
Derivative financial instruments	5 100	-	18	2	4	33	651	5 808
Repurchase agreements and cash collateral on securities lent	2 361	-	-	-	-	-	-	2 361
Customer accounts	28 967	17 357	20 797	11 711	12 151	2 183	1 098	94 264
Debt securities in issue	-	-	275	-	1 066	-	-	1 341
Liabilities arising on securitisation	-	-	1	1	8	1 542	4 720	6 272
Other liabilities	1 003	229	679	35	75	142	-	2 163
	37 787	**22 418**	**22 409**	**11 810**	**13 729**	**11 040**	**6 682**	**125 875**
Subordinated liabilities (including convertible debt)	-	-	37	-	-	594	2 435	3 066
On balance sheet liabilities	**37 787**	**22 418**	**22 446**	**11 810**	**13 729**	**11 634**	**9 117**	**128 941**
Off balance sheet liabilities	2 525	68	250	604	104	1 102	2 106	6 759
Total liabilities	**40 312**	**22 486**	**22 696**	**12 414**	**13 833**	**12 736**	**11 223**	**135 700**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For management's analysis of liquidity risk, please refer to page 47.

At 31 March R'million	2008 Carrying value	2008 Fair value	2007 Carrying value	2007 Fair value
41. Fair value of financial instruments				
It has been determined that the carrying value of financial assets and financial liabilities approximate their fair value except for the items noted below:				
Group				
Financial assets				
Loans and advances to banks	14 418	14 422	20 141	20 825
Financial liabilities				
Deposits by banks	9 427	9 428	12 959	13 044
Customer accounts	115 654	115 454	91 035	91 545
Debt securities in issue	2 524	2 520	1 343	1 394
Liabilities arising on securitisation	5 637	5 637	11 735	11 935
Subordinated liabilities (including convertible debt)	4 710	4 886	3 066	3 527
Company				
Financial assets				
Loans and advances to banks	13 863	13 867	20 296	20 350
Financial liabilities				
Deposits by banks	8 379	8 380	12 018	12 103
Customer accounts	112 497	112 326	89 066	89 807
Debt securities in issue	2 524	2 520	1 559	1 394
Subordinated liabilities (including convertible debt)	4 710	4 886	3 066	3 527

The following describes the methodologies and assumptions used to determine fair values for those financial assets which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

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Investec Bank Limited

Registration number: 1969/004763/06

Notice is hereby given that the Annual General Meeting of Investec Bank Limited will be held at 11:00 on Thursday, 7 August 2008 in the boardroom, 2nd floor, 100 Grayston Drive, Sandown, Sandton to transact the following business:

1. To receive and adopt the audited financial statements of Investec Bank Limited for the year ended 31 March 2008, together with the reports of the directors of Investec Bank Limited and of the auditors of Investec Bank Limited.
2. To determine, ratify and approve the remuneration of the directors of Investec Bank Limited for the year ended 31 March 2008.
3. To sanction the dividends paid on the ordinary and non-redeemable, non-cumulative, non-participating preference shares for the year ended 31 March 2008.
4. To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 (Private Bag X14, Northlands, 2116) as auditors of Investec Bank Limited to hold office until the conclusion of the Annual General Meeting of Investec Bank Limited to be held in 2009 and to authorise the directors of Investec Bank Limited to fix their remuneration.
5. To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 (Private Bag 9, Parkview, 2122) as auditors of Investec Bank Limited to hold office until the conclusion of the Annual General Meeting of Investec Bank Limited to be held in 2009 and to authorise the directors of Investec Bank Limited to fix their remuneration.
6. To re-elect the following directors by way of a single resolution:
   Messrs B Kantor, B Tapnack, GR Burger and RMW Dunne retire by rotation in terms of the Articles of Association and being eligible, offer themselves for re-election. (Note: Mr RMW Dunne was appointed to the board of directors subsequent to the year end, effective 2 June 2008).
   For brief biographical details of the directors to be re-elected, please refer to page 64 of the annual report.
7. To place all the unissued ordinary and preference shares under the control of the directors as a general authority in terms of section 221 of the Companies Act, 1973, who are authorised to allot and issue such shares in their discretion until the next Annual General Meeting, subject to the provisions of the Companies Act, No 61 of 1973, the Banks Act, No 94 of 1990, and the Listings Requirements of the JSE Limited.
8. To consider and, if deemed fit, to pass with or without modification the following resolution as a special resolution of the company.

Special resolution no. 1

- Resolved that in terms of Article 4(a)(i) of the Articles of Association and with effect from 7 August 2008, Investec Bank Limited hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act No 61 of 1973, the acquisition by Investec Bank Limited or its subsidiaries from time to time, of the issued ordinary shares and non-redeemable non-cumulative non-participating preference shares of Investec Bank Limited, upon such terms and conditions and in such amounts as the directors of Investec Bank Limited or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, No 61 of 1973, the Banks Act, No 94 of 1990 and the Listings Requirements of the JSE Limited, provided that this general authority shall be valid until the next Annual General Meeting, and shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution.

  The reason for this special resolution is to grant a renewable general authority to Investec Bank Limited to acquire ordinary shares and non-redeemable, non-cumulative, non-participating preference shares which are in issue from time to time. The effect of the special resolution no 1 is that Investec Bank Limited and its subsidiaries will be able to acquire ordinary shares and non-redeemable non-cumulative non-participating shares of Investec Bank Limited.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 64 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12, (twelve) months, a material effect on the group's financial position.

Voting and proxies

Holders of the non-redeemable, non-cumulative, non-participating preference shares, debentures, IV01 bonds, IV03 unsecured subordinated notes, IV04 and IV07 subordinated unsecured callable notes, IV08 fixed rate upper tier 2 notes and IV09 floating rate upper tier 2 notes shall be entitled to attend the meeting, but not to vote on any of the resolutions. Accordingly a proxy form is not included with this notice.

By order of the board

B Coetsee
Company Secretary
Sandton

17 June 2008

Registered office:
100 Grayston Drive
Sandown
Sandton
2196

Notes

Financial statements