Out of the Ordinary®

Investec

Investec Bank Limited Group and Company Annual Financial Statements 2009

Corporate information

Investec Bank Limited

Secretary and Registered Office

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Internet address

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Registration number

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

Auditors

Ernst & Young Inc.
KPMG Inc.

Investec directors

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Transfer Secretaries

Computershare Investor Services (Pty) Limited
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Investec offices – contact details

Refer to page 162

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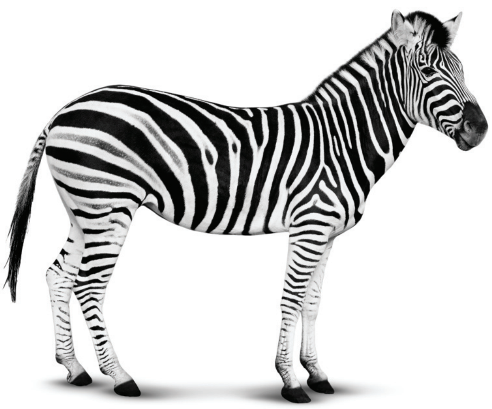


1 Investec in perspective

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 – empowerment, 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

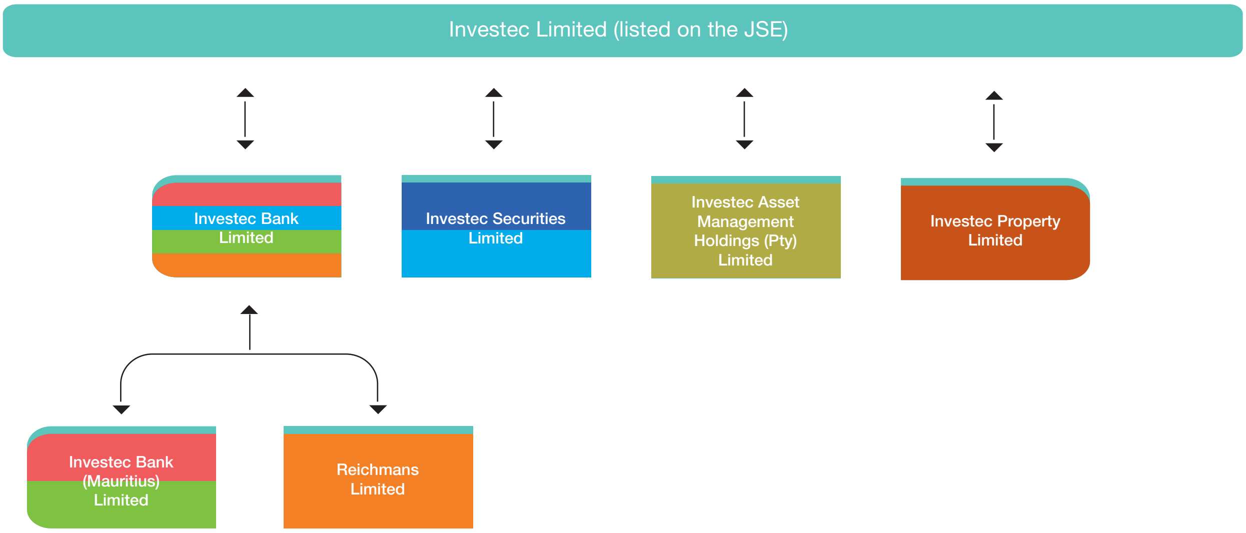
Philosophies

- 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 2009



Key: activities conducted

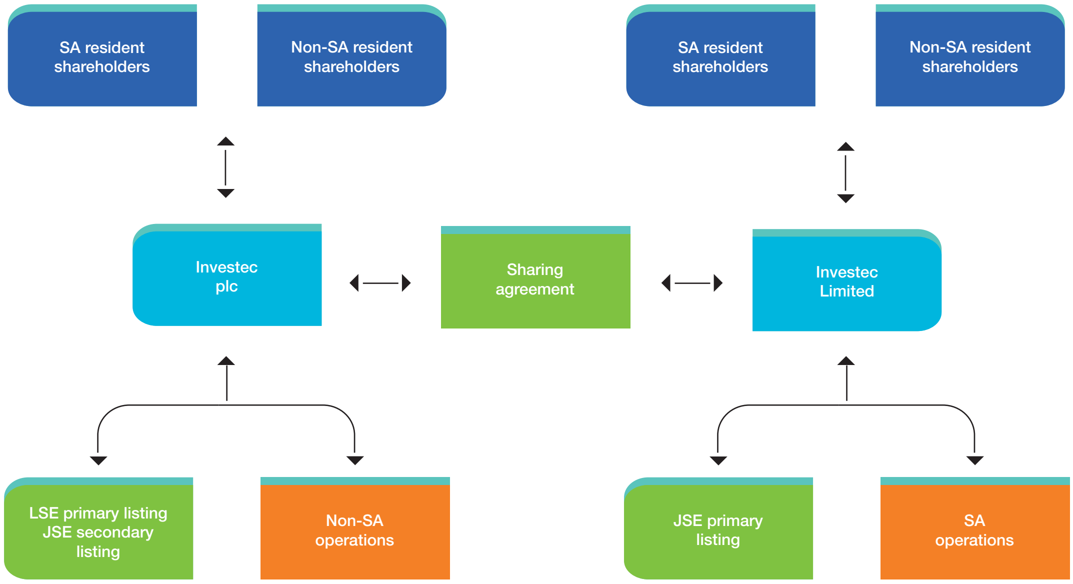
- Private Banking
- Private Client Portfolio Management and Stockbroking
- Capital Markets
- Investment Banking
- Asset Management
- Property Activities
- Other Activities

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

Overview of Investec's Dual Listed Companies structure

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore business on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

DLC structure



Salient features:

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

Further information on our DLC structure is available in the circular mentioned above, as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on our website.

Overview of the activities of Investec Bank Limited 2

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 head 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
- Specialised Lending
- 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 and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

Structured Property Finance

As 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.

Specialised Lending

Our specialised lending offering provides structured finance facilities to financially sophisticated individuals and includes margin lending and financing of non-standard assets.

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.

Overview of the activities of Investec Bank Limited

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 black economic empowerment 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.

Overview of the activities of Investec Bank Limited

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.

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 the 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.

Overview of the activities of Investec Bank Limited

Financial review 3

Snapshot of the year and strategic focus

Overview

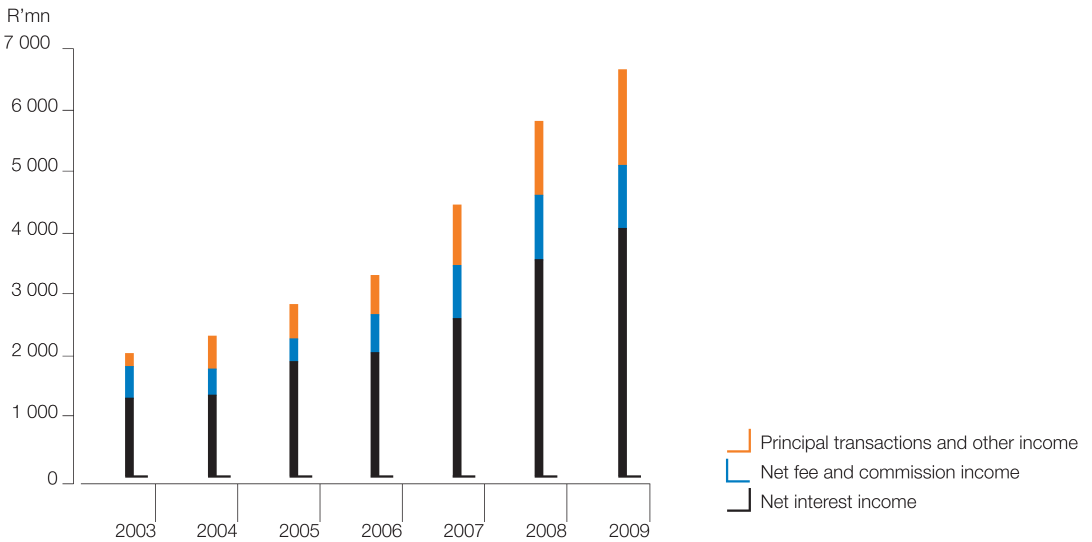
- Investec Bank Limited recorded another resilient performance.
- Operating profit supported by:
  - A diversified business model
  - A sound balance sheet with low leverage
  - A solid recurring revenue base
- We emerged from this period with our capacity to compete, our brand and our entrepreneurial spirit unimpeded.
- Disciplined focus by management to build capital, preserve liquidity and maintain efficiency.

Financial highlights

	31 March 2009	31 March 2008	% change
Profit before taxation (R'million)	2 665	2 484	7.3%
Headline earnings attributable to ordinary shareholders (R'million)	1 901	1 694	12.2%
Cost to income ratio	48.3%	48.2%	–
Total capital resources (including subordinated liabilities) (R'million)	19 286	17 670	9.1%
Total equity (R'million)	14 195	12 960	9.5%
Total assets (R'million)	181 288	167 562	8.2%
Net core loans and advances (R'million)	112 543	96 789	16.3%
Customer accounts (deposits) (R'million)	127 139	115 654	10.0%
Capital adequacy ratio	14.2%	14.3%	–
Tier 1 ratio	10.5%	10.3%	–

Continued focus on building our recurring income… to ensure a sustainable earnings base

Total operating income



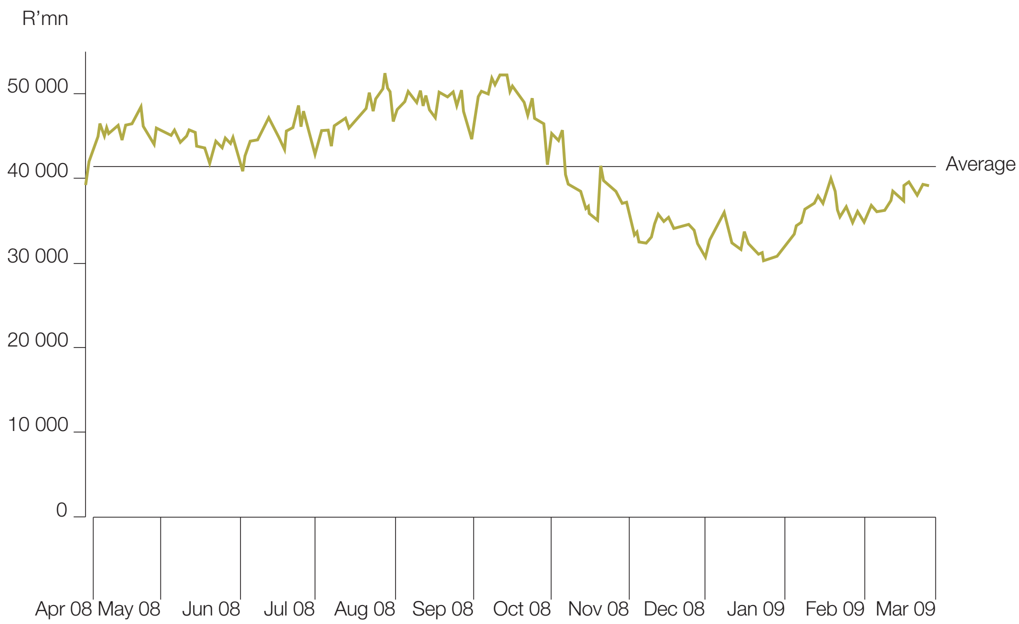
79%	68%	72%	68%	64%	69%	70%	Recurring income as a % of total income

Snapshot of the year and strategic focus

Balance sheet strength… stringent management of liquidity

- The intimate involvement of senior management ensures stringent management of risk and liquidity.
- A well established liquidity management philosophy.
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets in excess of regulatory requirements; representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Maintaining a low reliance on interbank wholesale funding to fund core lending
- Active campaigns to build our retail deposit franchise.
- The Private Bank has trebled its deposit book in the last three years from R12 billion to R41 billion as at 31 March 2009.
- We have been successful in increasing customer deposits and in securing medium term syndicated loans due to our long standing counterparty relationships.

Surplus cash and near cash



Balance sheet strength… good progress towards capital targets

- Our policy has always been to hold capital well in excess of regulatory requirements and we intend to perpetuate this philosophy.
- We are focusing on increasing our capital base and have revised our capital adequacy targets.
- We are targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec Limited and Investec plc.
- We have made good progress in achieving these targets and intend on meeting these targets by the end of calendar year 2010.
- As at 31 March 2009, the capital adequacy ratio of the bank was 14.2% and the tier 1 ratio was 10.5%.

Snapshot of the year and strategic focus

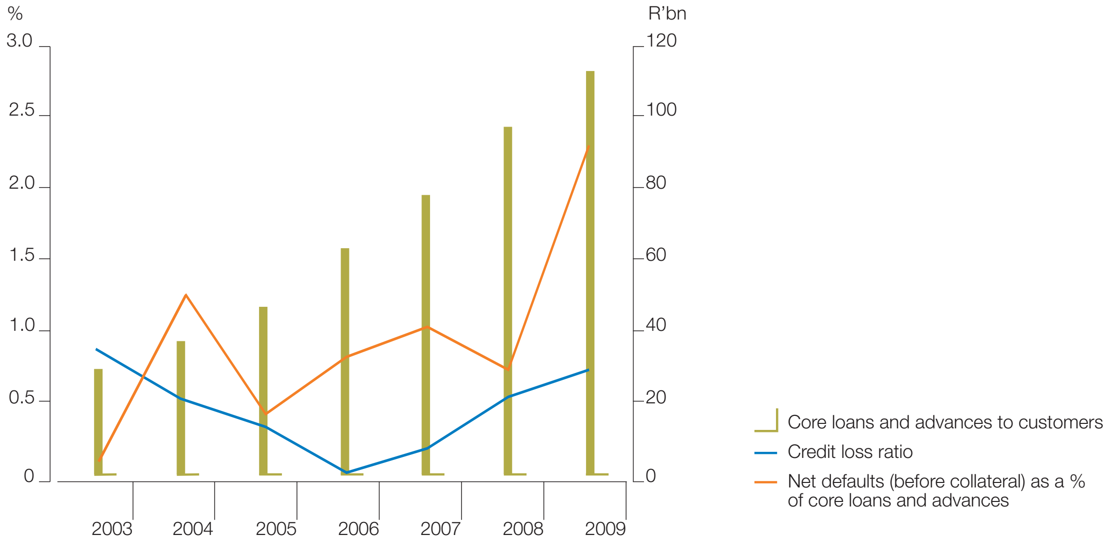
Balance sheet strength… low leverage ratios

	31 March 2009	31 March 2008
Core loans to equity ratio	7.9x	7.5x
Core loans (excluding own originated assets which have been securitised) to customer deposits	0.9x	0.8x
Total gearing (total assets to equity)	12.3x	12.5x

Balance sheet strength… impairments and defaults have increased as expected

- Impairments and defaults have increased as a result of weak economic conditions.
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) would be covered 100%.
- Credit and counterparty exposures are to select target markets:
  - Private Bank lends to high net worth and high income clients.
  - Capital Markets transacts primarily with mid to large sized corporates, public sector bodies and institutions.

Defaults and core loans



Medium-term strategy continues

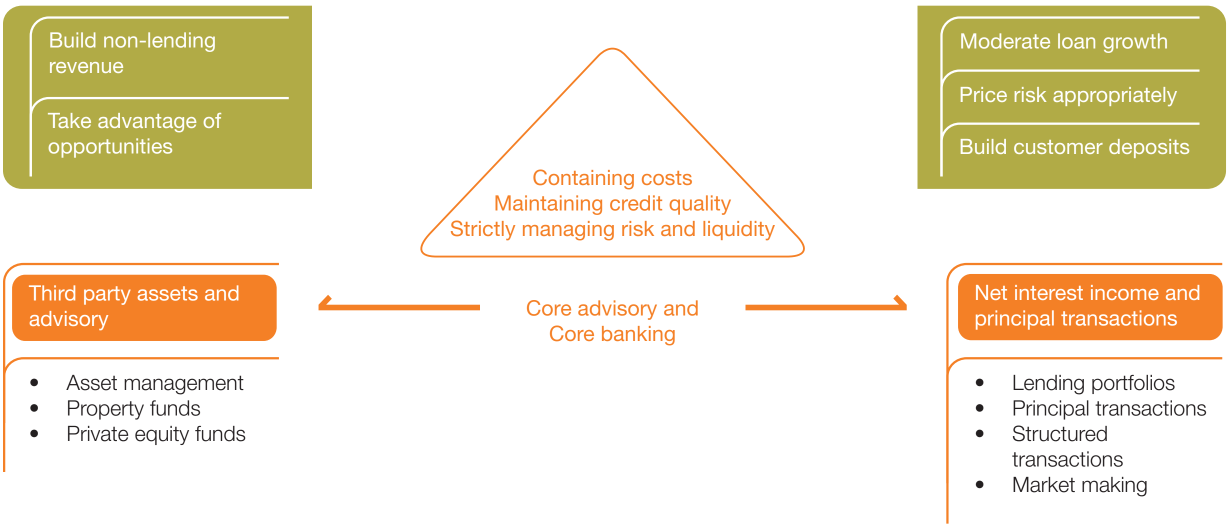
- We are a niched and focused specialist banking group constantly striving to be distinctive.
- We continue to focus on:
  - Moderating loan growth, shifting emphasis to increasing the proportion of non-lending revenue base
  - Maintaining credit quality
  - Strictly managing risk and liquidity
  - Creating additional operational efficiencies and containing costs
  - Building business depth rather than business breadth by deepening existing client relationships and generating high quality income through diversified, sustainable revenue streams
  - Proactively building our brand.

Snapshot of the year and strategic focus

Maintaining efficiency… cost to income ratio same as the prior year

- Total headcount is being tightly managed.
- Expense growth (excluding variable remuneration) is targeted below the rate of inflation.
- A non-cash deferred component has been introduced to variable remuneration payments.

Continually realigning the business model… balancing operational risk businesses with financial risk businesses



Outlook

- The outlook for the global economy is uncertain and markets are likely to remain volatile.
- There have been some positive signals recently but this was a financial crisis like no other and the knock-on effect to global growth cannot be fully assessed yet.
- The competitive landscape has changed and our brand continues to gain recognition.
- We are independent and have a distinct franchise.
- We have strengthened our capital position and will continue to safeguard our liquidity.
- We believe that the market upheaval will present opportunities to strengthen our position across our core geographies and enable us to move onto the front foot.

Commentary on the results of Investec Bank Limited for the year ended 31 March 2009

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2008.

Introduction

The bank posted an increase in headline earnings attributable to ordinary shareholders of 12.2% to R1 901 million (2008: R1 694 million).

Segmental information

For the year ended 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
2009					
Net operating income before headline adjustments	1 792	1 878	1 195	991	5 856
Operating expenses	(1 348)	(1 007)	(429)	(407)	(3 191)
Operating profit before taxation and headline adjustments	444	871	766	584	2 665
Cost to income ratio (%)	65.8	45.1	34.3	37.6	48.3
2008					
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

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the period under review.

Total operating income

Total operating income before impairment losses on loans and advances of R6 612 million is 14.6% higher than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2009	% of total income	31 March 2008	% of total income	% change
Net interest income	4 027	60.9%	3 515	60.9%	14.6%
Other income	2 585	39.1%	2 255	39.1%	14.6%
Net fee and commission income	1 026	15.5%	1 054	18.3%	(2.7%)
Principal transactions	1 560	23.6%	1 202	20.8%	29.8%
Operating loss from associates	(1)	–	(1)	–	–
Total operating income before impairment losses on loans and advances	6 612	100.0%	5 770	100.0%	14.6%

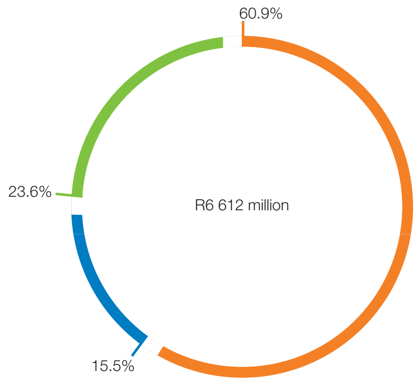
The following table sets out information on total operating income by division for the year under review.

R'million	31 March 2009	% of total income	31 March 2008	% of total income	% change
Private Banking	2 048	31.0%	2 288	39.7%	(10.5%)
Capital Markets	2 232	33.8%	2 048	35.5%	9.0%
Investment Banking	1 249	18.8%	562	9.7%	>100.0%
Group Services and Other Activities	1 083	16.4%	872	15.1%	24.2%
Total operating income before impairment losses on loans and advances	6 612	100.0%	5 770	100.0%	14.6%

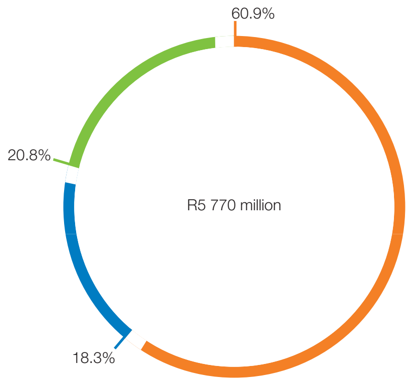
Commentary on the results of Investec Bank Limited for the year ended 31 March 2009

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

31 March 2009



31 March 2008



Net interest income

Net fee and commission income

Principal transactions

Net interest income

Net interest income increased by 14.6% to R4 027 million (2008: R3 515 million) as a result of growth in average advances and a solid performance from the Central Funding division.

Net fee and commission income

Net fee and commission income decreased by 2.7% to R1 026 million (2008: R1 054 million). Transactional activity and asset levels have been impacted by the economic environment. However, the group benefited from a solid performance from the Capital Markets advisory and structuring businesses.

Principal transactions

Income from principal transactions increased by 29.8% to R1 560 million (2008: R1 202 million) reflecting a strong contribution from our Capital Markets trading businesses and our Private Equity portfolio.

Impairment losses on loans and advances

As a result of the weaker credit cycle we have seen a decline in the performance of the loan portfolio resulting in an increase in impairment losses on loans and advances from R466 million to R756 million. The credit loss charge as a percentage of average gross core loans and advances has increased from 0.5%% to 0.7% since 31 March 2008. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 0.7% to 2.3% since 31 March 2008. Further information on our asset quality is provided on pages 45 to 52.

Total expenses

The ratio of total operating expenses to total operating income is in line with the prior year at 48.3%.

Total expenses increased by 14.7% to R3 191 million (2008: R2 782 million) largely as a result of an increase in average headcount and associated costs in certain of the businesses. Total headcount is being tightly managed and expense growth (excluding variable remuneration) is targeted below the inflation rate. The bank has also introduced a non-cash deferred component to variable remuneration payments. The various components of total expenses are analysed below.

Commentary on the results of Investec Bank Limited for the year ended 31 March 2009

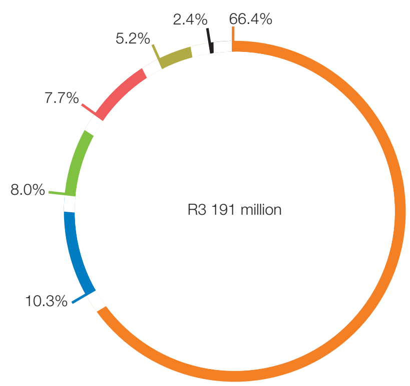
R'million	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Staff costs (including directors' remuneration)	2 116	66.4%	1 917	68.9%	10.4%
Business expenses	330	10.3%	293	10.5%	12.6%
Equipment (excluding depreciation)	256	8.0%	197	7.1%	29.9%
Premises (excluding depreciation)	246	7.7%	198	7.1%	24.2%
Marketing expenses	165	5.2%	108	3.9%	52.8%
Depreciation	78	2.4%	69	2.5%	13.0%
Total expenses	3 191	100.0%	2 782	100.0%	14.7%

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

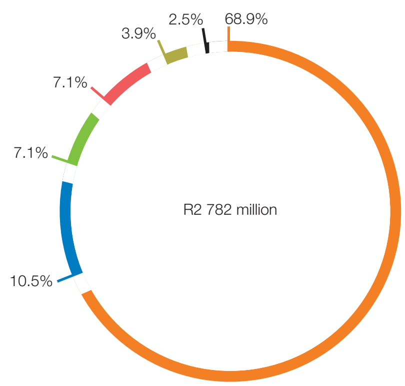
R'million	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Private Banking	1 348	42.2%	1 322	47.5%	2.0%
Capital Markets	1 007	31.6%	849	30.5%	18.6%
Investment Banking	429	13.4%	217	7.8%	97.7%
Group Services and Other Activities	407	12.8%	394	14.2%	3.3%
Total operating income	3 191	100.0%	2 782	100.0%	14.7%

% of total expenses

31 March 2009



31 March 2008



Staff costs
Business expenses
Equipment
Premises
Marketing
Depreciation

Balance sheet analysis

Since 31 March 2008:

- Total shareholders' equity (including minority interests) increased by 9.5% to R14.2 billion largely as a result of retained earnings.
- Total assets increased by 8.2% to R181.3 billion largely as a result of an increase in core loans and advances.

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.

Commentary on the results of Investec Bank Limited for the year ended 31 March 2009

Private Banking

Overview of performance

Operating profit decreased by 43.0% to R444 million (2008: R779 million). Higher average advances and a diversified set of revenues continued to drive operating income. However, activity levels have declined and impairment losses on loans and advances have increased as a result of the weaker credit environment.

Key earnings drivers:
- Core loans and advances increased by 14.3% to R76.6 billion since 31 March 2008.
- The deposit book increased by 13.1% to R40.6 billion since 31 March 2008.
- Funds under advice decreased by 15.1% to R21.9 billion since 31 March 2008.

Developments

- Trading conditions deteriorated during the second half of the year.
- Customer deposits showed a net outflow in the second and third quarters of the year at the height of the upheaval in the financial markets. This trend was reversed during December 2008 when net inflows were recorded and growth has been positive ever since.
- Money markets were tight throughout the period, making funding through securitisation vehicles more difficult than in the past.
- Assets under management were under pressure as a result of market conditions, as well as the performance of certain special opportunities. This specialisation did however attract R2.7 billion of new money over the period.
- The Structured Property Finance specialisation is experiencing lower activity levels, particularly in the residential development space. The commercial property market is showing resilience despite current market conditions.
- In the Growth and Acquisition specialisation activity levels have remained strong throughout the year. Exits have, however, been delayed due to the economic environment and some write-downs have been taken on equity stakes and profit shares held.
- The loan portfolio in the Banking business performed well albeit in more difficult economic conditions. This serves to illustrate the sound credit quality of our client base. The private bank account business did, however, suffer from reduced point of sale income as private client spending was lower.

Outlook

- Current market conditions continue to have a negative impact on impairments, realisations and activity levels across each of the lending specialisations.
- We expect growth in the loan portfolio to be moderate for the year ahead, and we will continue to re-price existing assets.
- Substantial investment will continue to be made in our general banking business targeting retail deposits.
- The drive to accelerate the contribution of our Private Wealth Management business will be supported by further investment.
- We will continue to focus on realigning costs to future revenues.
- Management of impairments and underperforming loans remains a key focus for the forthcoming period.
- The business will continue to seek out opportunistic transactions resulting from the fallout in the broader market.

Capital Markets

Overview of performance

Capital Markets posted a decrease in operating profit of 6.4% to R871 million (2008: R931 million). The division benefited from a good performance from its advisory, treasury and trading activities, as well as higher average advances. The division's results were, however, negatively impacted by losses incurred on listed and unlisted investments. Core loans and advances increased by 21.2% to R32.5 billion.

Developments

- Deal activity in our lending areas has been good during the year. This has been the case in most of the specialist asset classes and with increases experienced in average margins.
- The division has seen a marginal increase in impairments compared to the prior year.
- The division continues to hold a number of equity related positions associated with our lending activities, the revaluation of our positions has negatively impacted on our results for the year.
- Profitability on the Foreign Exchange and Interest Rate trading desks has been excellent with historic levels of volatility offering good trading and client flow opportunities. Customer deal flow in Equity Derivatives was reduced during the year as a result of severe market volatility and a declining equity market.
- The Foreign Exchange trading desk has captured significant market share in the listed currency futures market.
- Debt Capital Markets concluded three successful securitisations during the year although the outlook for this area of business is negative.

Commentary on the results of Investec Bank Limited for the year ended 31 March 2009

Outlook

- The impact of the global recession is now starting to be felt in South Africa. We are generally well positioned in this market with a reasonably robust credit portfolio. Conditions and volumes remain good for the trading businesses. The effects of the recession may lead to reduced activity in the structuring and lending businesses.
- We continue to be a focused business targeting markets where we can be distinctive and competitive focusing on our core value drivers.
- We remain committed to building a sustainable scale business with diversified revenue streams.
- We will continue to strive for depth and greater penetration.
- This stage of the cycle is likely to see a rise in corporate defaults and losses in the acquisition finance portfolio. Additional effort and resources will be spent on asset management to ensure our portfolios perform optimally in poor economic conditions.
- The environment has changed but so too has the competitive landscape. A large amount of capacity has been removed from the market and the number of players in our core geographies has reduced substantially. This plays to our strengths of being a specialist and bespoke service provider. In the short-term we expect conditions to remain challenging, however, we believe that in the medium term this is an excellent opportunity to grow market share and deepen our franchise.

Investment Banking

Overview of performance

The Investment Banking division recorded a significant increase in operating profit to R766 million (2008: R325 million). The performance of the Corporate Finance division was negatively impacted as a result of fewer transactions completed compared to the prior year. The investments held within the Direct Investment and Private Equity portfolios performed well.

Developments

Corporate Finance

- We maintained our strong positioning with a lower level of activity.
- Our main focus was on M&A, restructuring and black economic empowerment transactions.
- We retained all our major clients and gained several new mandates during the period.
- The total value of Corporate Finance transactions decreased to R23.4 billion (2008: R113 billion) during the period and the number of transactions decreased to 60 (2008:109).
- Sponsor broker deals completed during the period decreased to 96 (2008:165) with the value also decreasing to R51 billion (2008: R149 billion).
- The Corporate Finance division was ranked first in volume of listed M&A transactions and second in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2008 calendar year). This is the fifth year out of six 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 (2008 calendar year). This is the sixth year running that we have won this 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 (2008 calendar year).

Direct Investments and Private Equity (Principal Investments)

- The Direct Investments portfolio increased to R1 816 million at 31 March 2009 (March 2008: R1 051 million). The increase in value was driven by a good performance from the underlying investments and a few selective new investments.
- The Private Equity portfolio was R2 525 million at 31 March 2009 (March 2008: R1 976 million). We continued to expand the capacity of our private equity investments through bolt-on acquisitions and capital expenditure. During the year under review we have had significant realisation through dividends and a few disposals.

Outlook

- Black economic empowerment, restructuring and M&A transactions are expected to continue to drive activity at a reasonable level.
- 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 majority of the companies in our Private Equity portfolio are trading in line with expectations in very difficult market conditions and the overall outlook remains positive.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a 30.1% increase in operating profit to R584 million (2008: R449 million), benefiting from increased cash holdings and higher average interest rates.

4 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 (pages 28 to 75) with further disclosures provided within the financial statements section (pages 104 to 158). 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's objectives

Group Risk Management's objectives are to:

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

Executive summary of the year in review from a risk perspective

As mentioned in the beginning of this report (refer to pages 16 to 18) Investec has maintained a sound balance sheet with low leverage and a diversified business model which has enabled it to navigate through the present challenging operating environment.

This has been supported by the following key operating fundamentals:

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital.
- Strong risk and capital management culture; embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests.
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years.
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, experienced an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio has increased to 0.7% of core loans and advances, in line with our expectations.
- Limited exposure to rated and unrated structured credit investments; representing less than 0.1% of total assets.
- A low leverage ratio of approximately 12 times.
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to 0.2% of total assets.
- Modest proprietary market risk within our trading portfolio; value at risk and stress testing scenarios remain at prudent levels. Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (15 standard deviations) amount to less than 0.8% of total operating income.
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately R41 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.
- An increase in retail customer deposits and access to longer term funding initiatives.
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have strengthened our capital base and increased our net tangible asset value during the period.
- A high level of recurring income which continues to support sustainability of operating profit, albeit at a lower level.

Risk management

The global financial market crisis has resulted in increasing risk levels and has impacted the markets in which we operate on a number of fronts. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead over the period. Detailed information on key developments during the financial year is provided in the sections that follow (refer to pages 36, 37, 55, 56, 63 and 67).

Maintaining credit quality, moderating loan growth, strictly managing risk and liquidity and continuing to grow our capital base remain strategic imperatives for the year ahead.

An overview of key risks

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

These risks 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.

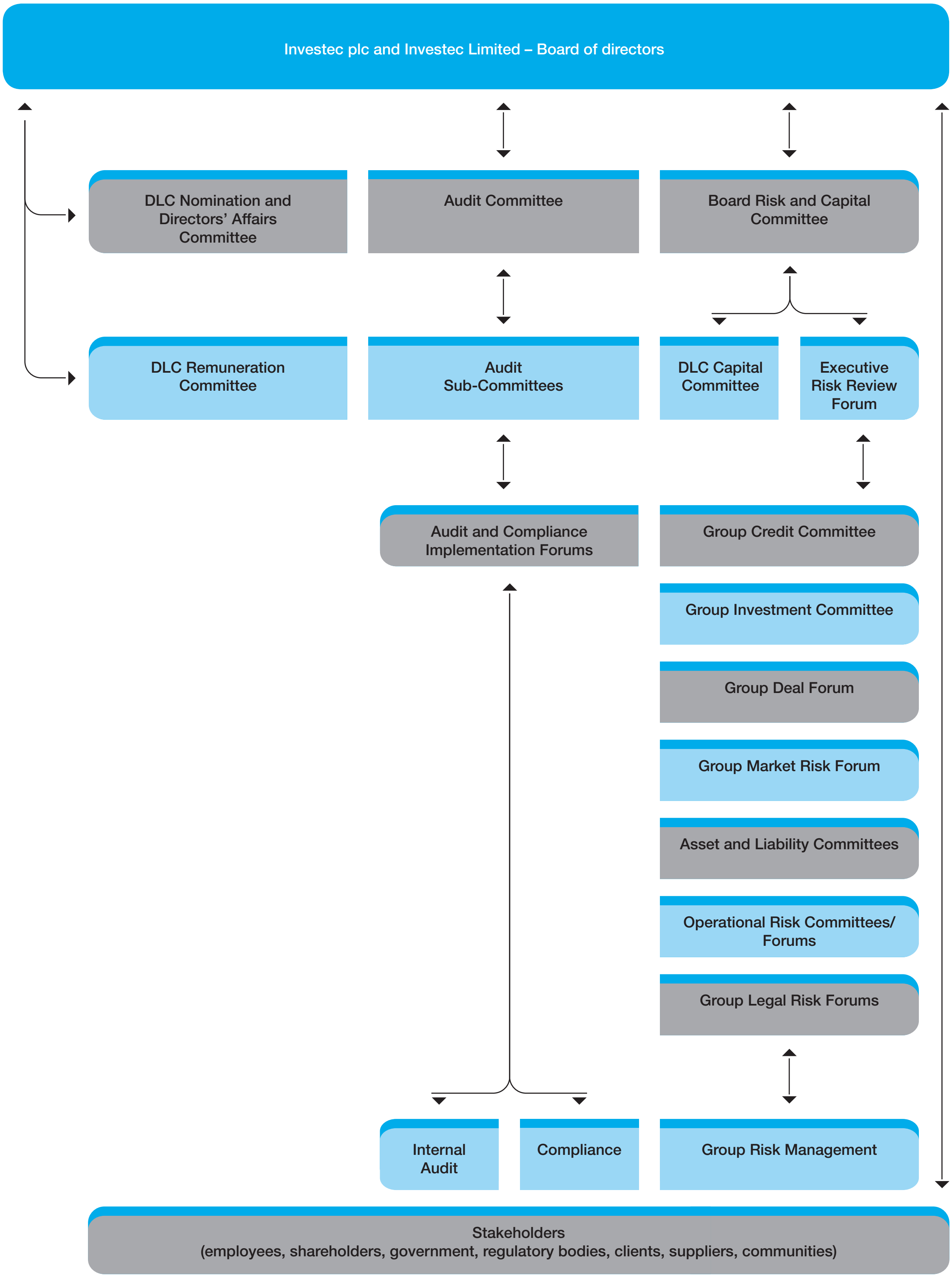
Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 31 to 53
• Liquidity risk may impair our ability to fund our operations	See pages 59 to 63
• Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 57 to 59
• Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 54 to 57
• 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 64 to 67
• Operational risk may disrupt our business or result in regulatory action	See pages 64 to 67
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 64 to 67
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 68 to 74
• The financial services industry in which we operate is intensely competitive	See pages 23 and 24
• Legal and regulatory risks are substantial in our businesses	See page 68
• Reputational, strategic and business risk	See page 68

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 adversely affected by any of these risk factors.

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

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.



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 2009 period end	31 March 2008 period end	Average over the period
Market indicators			
FTSE all share	1 984	2 927	2 486
JSE all share	20 364	29 588	24 734
Australia all ords	3 532	5 410	4 491
S&P 500	798	1 323	1 090
Nikkei	8 110	12 526	10 866
Dow Jones	7 609	12 263	10 136
Exchange rates			
Rand/Pounds Sterling	13.58	16.17	14.83
Rand/Dollar	9.51	8.09	8.80
US Dollar/Euro	1.33	1.58	1.42
Euro/Pounds Sterling	1.08	1.25	1.20
Australian Dollar/Pounds Sterling	2.07	2.18	2.19
US Dollar/Pounds Sterling	1.43	1.99	1.72
Rates			
UK overnight	0.63%	5.55%	3.49%
UK 10 year	3.17%	4.34%	4.22%
UK Clearing Banks Base Rate	0.57%	5.25%	3.74%
LIBOR – 3 month	1.65%	6.01%	4.63%
SA R153 (2010)	6.88%	9.71%	9.18%
SA R157 (2015)	8.18%	9.22%	8.87%
Rand overnight	9.16%	10.60%	11.28%
SA prime overdraft rate	13.00%	14.50%	15.06%
JIBAR – 3 month	8.80%	11.38%	11.63%
Reserve Bank of Australia cash target rate	3.25%	7.25%	5.84%
US 10 year	2.67%	3.41%	3.41%
Commodities			
Gold	USD919/oz	USD917/oz	USD869/oz
Gas Oil Futures	USD420/mt	USD969/mt	USD812/mt
Platinum	USD1 129/oz	USD1 966/oz	USD1 371/oz
Macro-economic			
South Africa GDP (% real growth over the calendar year)	3.10%	5.10%	
South Africa per capita GDP (real value) (R)	25 897	25 499	

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 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; and
- 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 centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the Group Credit Committee, the following 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.

Whilst we do not have a separate country risk forum, the Global Credit Committees will consider, analyse, and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. 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 to page 53 for further information).

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to page 38 for further information).

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.

Risk management

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.

Investec completes scenario tests on its loan portfolio with regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit/risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. 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.

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in Project Finance, Private Bank Property, Corporate and Bank and Financial Institutions areas of operation. We remain focused on developing our models in the light of our idiosyncratic risk profile and against extreme downturn events.

Fitch, Standard and Poor's 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 & Poor's being used as support where a Fitch rating is not available.
- In relation to sovereigns, corporates and small to medium enterprises, both Standard & Poor's 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 (Reichmans Capital) 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.

A large portion of the lending portfolio is supported by residential and commercial property collateral. Exposure to commercial and retail properties was originally approved at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants. Collateral exposure to the South African property market is regionally diversified (primarily 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.

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. The global financial crisis impacted negatively on defaults and impairments across the residential and commercial property portfolios in the fourth quarter of 2008 and first quarter of 2009. These defaults are mainly made up of a relatively small number of clients.

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. Political risk insurance is taken to ensure political risks are well managed. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis. 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.

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.

Reichmans Capital

Reichmans Capital 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. This is in accordance with established group guidelines and in conjunction with the Watchlist Committee policy and process. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

The information provided in the table reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 45). 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 assets with credit risk 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.

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	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. Credit Committee is concerned). For the following reasons: • Covenant breaches; • There is a slowdown in the counterparty's business activity; • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or • Any re-structured credit exposures until appropriate Credit Committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category)
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.

Credit risk mitigation Audited

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

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 and based in desirable locations. In the year 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 commercial 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. Residential properties valued by a combination of Computer Aided Valuation (CAV) and approved valuers, if applicable. Other common forms of collateral in the retail asset class are motor vehicles, cash 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.

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 should be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:
- A legally enforceable right to set-off exists; 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 53.

Credit and counterparty risk year in review

The past financial year has seen a number of trends and factors impacting on the credit quality and assessment of credit and counterparty risk:
- The global financial crisis had a negative impact on the domestic economic cycle, especially in the fourth quarter of 2008 and first quarter of 2009.
- Liquidity constraints and general tightening in liquidity across the industry.
- Conservative lending approach from the banking sector and the effects of repricing.
- A high interest rate environment with consumers reducing discretionary spending.
- High inflation numbers which delayed the central bank in reducing the repurchase rate.
- High levels of rand volatility against major trading currencies (Euro, US Dollar and Pounds Sterling).
- Market volatility with the main exchange (JSE) reflecting a reduction of 31.1% on a year on year basis.
- Collapse in commodity prices and continued volatility.
- Low or negative growth in the residential and commercial property markets.

The South African property market has been under pressure for the year in review. We are conscious of the effect of the slowdown of growth in the property market (both global and local) and the slowing economic cycle that have put pressure on our property portfolios. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Over the past few years as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

As at 31 March 2009 the average loan to value ratio within the property development portfolio stood at 52% based on net sell out values.

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 rate products 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).

Loans and advances secured by share portfolios (including BEE transactions) are monitored frequently due to market volatility. Most of these counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations.

For assets written during the current year there has been strict adherence to lower loan to value lending and increased pricing requirements.

Credit quality on gross core loans and advances deteriorated throughout the year under review (notably from September 2008), with the majority of impairments raised in the Private Bank division, distributed between the residential and commercial property portfolios which are made up of a relatively small number of clients.

Investec Capital Markets reported 3 material defaults in Specialised Finance and Resource Finance respectively, which were impaired accordingly. Investec Bank (Mauritius) reported 1 material default as at year end.

Core loans and advances portfolio increased by 16.3% to R112.5 billion. The quality of the overall loans and advances portfolio in Southern Africa deteriorated as a result of the global financial crisis with default loans (net of impairments) as a percentage of core loans and advances increasing from 0.7% to 2.3%. The credit loss ratio has increased from 0.5% to 0.7% Due to the deteriorating asset quality a lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/ solution for our clients and ourselves.

Securitisation/principal finance activities and exposures

Developments within the international economy have impacted on securitisation/principal finance activities and have limited our strategic initiatives in this space. The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been significantly curtailed given the current economic climate.

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

We have also assisted in the development of select securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to these intermediaries, amounting to R1.1 billion.

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R3.9 billion as at 31 March 2009 (2008: R4.8 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to page 39). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also, 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 within Investec Bank Limited amount to R1.4 billion (2008: R2.1 billion).These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to pages 109 to 117.

Credit and counterparty risk information

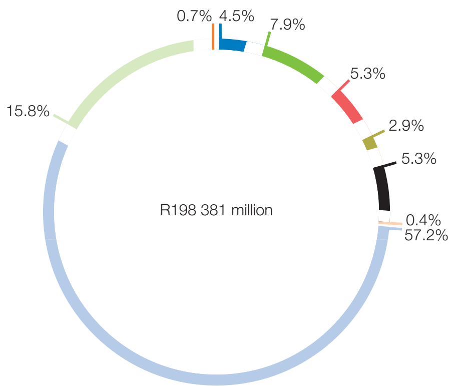
Pages 31 to 38 describe where and how credit and counterparty risk is exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

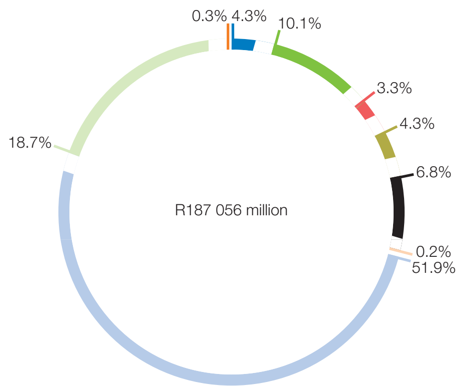
R'million Audited	31 March 2009	31 March 2008	% change	Average*
On-balance sheet exposures	167 241	152 025	10.0%	159 635
Securitisation exposures arising from securitisation/principal finance activities	1 467	653	>100.0%	1 060
Unrated instruments	329	205	60.5%	267
Other	1 138	448	>100.0%	793
Debt instruments (NCDs, bonds held, debentures)	8 896	8 051	10.5%	8 474
Bank placements	15 660	18 828	(16.8%)	17 244
Sovereign, government placements	10 468	6 251	67.5%	8 360
Call facilities (non-bank entities)	5 755	7 975	(27.8%)	6 865
Trading exposures (positive fair value excluding potential future exposures)	10 564	12 737	(17.1%)	11 651
Other credit exposures	881	369	>100.0%	625
Gross core loans and advances to customers**	113 550	97 161	16.9%	105 356
Off-balance sheet exposures	31 140	35 031	(11.1%)	33 086
Guarantees	7 494	5 467	37.1%	6 481
Contingent liabilities, committed facilities, other	23 646	29 564	(20.0%)	26 605
Total gross credit and counterparty exposures pre collateral or other credit enhancements	198 381	187 056	6.1%	192 721

* Where the average is based on a straight line average
** As calculated on page 45

31 March 2009



31 March 2008



- 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 Total	Unrated instruments	Other	Debt instruments (NCDs, bonds held, debentures)	Bank placements	Sovereign, government placements
As at 31 March 2009						
Cash and balances at central banks	–	–	–	–	24	3 134
Loans and advances to banks	–	–	–	–	9 588	–
Cash equivalent advances to customers	–	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	6 048	–
Trading securities	252	252	–	8 403	–	7 334
Derivative financial instruments	–	–	–	–	–	–
Investment securities	–	–	–	493	–	–
Loans and advances to customers	1 089	21	1 068	–	–	–
Securitised assets	126	56	70	–	–	–
Deferred taxation assets	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Interests in associated undertakings	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–
Investment property	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Intergroup	–	–	–	–	–	–
Total	1 467	329	1 138	8 896	15 660	10 468
As at 31 March 2008						
Cash and balances at central banks	–	–	–	–	10	2 777
Loans and advances to banks	–	–	–	–	13 957	–
Cash equivalent advances to customers	–	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	1 627	–
Trading securities	205	205	–	8 051	3 232	3 474
Derivative financial instruments	–	–	–	–	–	–
Investment securities	–	–	–	–	–	–
Loans and advances to customers	448	–	448	–	–	–
Securitised assets	–	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–	–
Other assets	–	–	–	–	2	–
Interests in associated undertakings	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–
Investment property	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Intergroup	–	–	–	–	–	–
Total	653	205	448	8 051	18 828	6 251

Notes:
1. Largely relates to exposures that are classified as equity risk in the banking book.
2. Relates to impairments. Further information is provided on page 143.
3. Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures of the bank.

Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refe-rence	Total balance sheet
–	–	–	–	3 158	–		3 158
–	475	–	–	10 063	–		10 063
5 158	–	45	–	5 203	–		5 203
597	269	–	–	6 914	–		6 914
–	36	–	–	16 025	3 913	1	19 938
–	9 627	105	–	9 732	218	1	9 950
–	–	473	–	966	27		993
–	–	–	112 144	113 233	(1 078)	2	112 155
–	–	–	1 406	1 532	2 980	3	4 512
–	–	–	–	–	307		307
–	157	258	–	415	477		892
–	–	–	–	–	166		166
–	–	–	–	–	168		168
–	–	–	–	–	5		5
–	–	–	–	–	88		88
–	–	–	–	–	6 776		6 776
5 755	10 564	881	113 550	167 241	14 047		181 288
–	24	–	–	2 811	–		2 811
–	461	–	–	14 418	–		14 418
7 782	–	–	–	7 782	–		7 782
193	2 576	–	–	4 396	1 356	1	5 752
–	25	239	–	15 226	2 687	1	17 913
–	9 464	–	–	9 464	204		9 668
–	–	–	–	–	350		350
–	–	–	95 010	95 458	(437)	2	95 021
–	–	–	2 151	2 151	4 124	3	6 275
–	–	–	–	–	285		285
–	187	130	–	319	737		1 056
–	–	–	–	–	195		195
–	–	–	–	–	144		144
–	–	–	–	–	5		5
–	–	–	–	–	75		75
–	–	–	–	–	5 812		5 812
7 975	12 737	369	97 161	152 025	15 537		167 562

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2009					
On-balance sheet exposures					
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	60	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	10 468	–
Call facilities (non-bank entities)	–	51	247	–	369
Trading exposures (positive fair value excluding potential future exposures)	121	4	80	–	1
Other credit exposures	473	–	–	–	1
Gross core loans and advances to customers	76 650	315	772	2 149	2 110
Off-balance sheet exposures					
Guarantees	5 733	–	1	–	107
Contingent liabilities, committed facilities, other	17 595	–	–	–	114
Total gross credit and counterparty exposures pre collateral or other credit enhancements					
As at 31 March 2008					
On-balance sheet exposures					
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	43	53	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	6 251	–
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					
Guarantees	4 065	–	1	32	2
Contingent liabilities, committed facilities, other	21 102	–	–	–	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements					

* Largely relating to our principal finance/securitisation activities

Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Other*	Total
48 017	4 940	5 054	4 485	2 797	1 487	6 590	–	167 241
1 341	126	–	–	–	–	–	–	1 467
273	56	–	–	–	–	–	–	329
1 068	70	–	–	–	–	–	–	1 138
8 579	70	–	–	159	–	28	–	8 896
15 660	–	—	–	–	–	–	–	15 660
–	–	–	–	–	–	–	–	10 468
1 300	1 563	1 593	–	273	–	359	–	5 755
9 416	79	172	497	38	–	156	–	10 564
125	39	167	2	67	1	6	–	881
11 596	3 063	3 122	3 986	2 260	1 486	6 041	–	113 550
5 244	504	1 040	102	286	98	316	–	31 140
803	204	518	64	9	–	55	–	7 494
4 441	300	522	38	277	98	261	–	23 646
53 261	5 444	6 094	4 587	3 083	1 585	6 906	–	198 381
50 289	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
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
56 925	3 607	9 299	3 639	2 773	2 257	6 035	205	187 056

Summary analysis of gross credit and counterparty exposures by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
HNW and professional individuals	76 650	61 797	23 922	25 167	100 572	86 964
Agriculture	315	826	55	292	370	1 118
Electricity, gas and water (utility services)	772	335	388	125	1 160	460
Public and non-business services	2 149	1 094	10 468	6 493	12 617	7 587
Business services	2 110	4 787	592	1 400	2 702	6 187
Finance and insurance	11 596	9 694	41 665	47 231	53 261	56 925
Retailers and wholesalers	3 063	2 029	2 381	1 578	5 444	3 607
Manufacturing and commerce	3 122	5 457	2 972	3 842	6 094	9 299
Real estate	3 986	3 067	601	572	4 587	3 639
Mining and resources	2 260	1 937	823	836	3 083	2 773
Leisure, entertainment and tourism	1 486	2 176	99	81	1 585	2 257
Transport and communication	6 041	3 962	865	2 073	6 906	6 035
Other*	–	–	–	205	–	205
Total	113 550	97 161	84 831	89 895	198 381	187 056

* Only includes securitised exposures where the industry is not clearly defined

Asset quality and impairments

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 38.

R'million Audited	31 March 2009	31 March 2008
Loans (pre-impairments) as per balance sheet	113 233	95 458
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(1 089)	(448)
Add: own-originated securitised assets	1 406	2 151
Gross core loans and advances to customers (pre impairments)	113 550	97 161

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 2009	31 March 2008
Gross core loans and advances to customers	113 550	97 161
Total balance sheet impairments	(1 006)	(372)
Portfolio impairments	(88)	(72)
Specific impairments	(918)	(300)
Net core loans and advances to customers	112 544	96 789
Average gross core loans and advances	105 355	87 611
Current loans and advances to customers	107 663	94 834
Total gross non-current loans and advances to customers	5 887	2 327
Past due loans and advances to customers (1-60 days)	1 774	1 132
Special mention loans and advances to customers	622	222
Default loans and advances to customers	3 491	973
Gross core loans and advances to customers	113 550	97 161
Total gross non-current core loans and advances to customers	5 887	2 327
Default loans that are current and not impaired	21	–
Gross core loans and advances to customers that are past due but not impaired	2 853	1 354
Gross core loans and advances to customers that are impaired	3 013	973
Total income statement charge for impairments against core loans	(756)	(466)
Gross default loans and advances to customers	3 491	973
Specific impairments	(918)	(300)
Defaults net of specific impairments	2 573	673
Collateral and other credit enhancements	3 545	1 281
Net defaults loans and advances to customers (limited to zero)	–	–
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.81%	0.31%
Portfolio impairments as a % of gross core loans and advances to customers	0.08%	0.07%
Total impairments as a % of gross core loans and advances to customers	0.89%	0.38%
Specific impairments as a % of gross default loans	26.30%	30.83%
Gross defaults as a % of gross core loans and advances to customers	3.07%	1.00%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.29%	0.70%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	0.72%	0.53%

Risk management

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

R'million Audited	31 March 2009	31 March 2008
Default loans that are current	932	–
1 – 60 days	2 230	1 636
61 – 90 days	687	186
91 – 180 days	1 222	207
181 – 365 days	489	124
>365 days	327	174
Total gross non-current loans and advances to customers (actual capital exposure)	5 887	2 327
1 – 60 days	272	209
61 – 90 days	104	54
91 – 180 days	480	124
181 – 365 days	211	51
>365 days	238	127
Total gross non-current loans and advances to customers (actual amount in arrears)	1 305	565

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

R'million Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	21	–	–	–	–	–	21
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 968	398	264	131	92	2 853
Amount in arrears	–	217	42	24	11	3	297
Gross core loans and advances to customers that are impaired							
Total capital exposure	911	262	289	958	358	235	3 013
Amount in arrears	–	55	62	456	200	235	1 008
As at 31 March 2008							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 155	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	–	481	39	198	105	150	973
Amount in arrears	–	32	26	120	38	125	341

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on total capital exposure)

R'million Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	1 774	–	–	–	–	1 774
Special mention	–	174	392	42	10	4	622
Special mention (1 – 60 days)	–	174	*16	*42	*10	*4	246
Special mention (61 – 90 days and well secured)	–	–	376	–	–	–	376
Default	932	282	295	1 180	479	323	3 491
Sub-standard	56	31	6	307	121	88	609
Doubtful	874	251	289	873	358	235	2 880
Loss	2	–	–	–	–	–	2
Total	932	2 230	687	1 222	489	327	5 887

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on actual amount in arrears)

R'million Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	178	–	–	–	–	178
Special mention	–	39	42	23	8	3	115
Special mention (1 – 60 days)	–	39	*3	*23	*8	*3	76
Special mention (61 – 90 days and well secured)	–	–	39	–	–	–	39
Default	–	55	62	457	203	235	1 012
Sub-standard	–	6	1	67	78	74	226
Doubtful	–	49	61	390	125	161	786
Loss	–	–	–	–	–	–	–
Total	–	272	104	480	211	238	1 305

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 days	>365 days	Total
Past due (1 – 60 days)	1 132	–	–	–	–	1 132
Special mention	23	147	9	19	24	222
Special mention (1 – 60 days)	23	–	*9	*19	*24	75
Special mention (61 – 90 days and well secured)	–	147	–	–	–	147
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 days	>365 days	Total
Past due (1 – 60 days)	177	–	–	–	–	177
Special mention	–	28	4	13	2	47
Special mention (1 – 60 days)	–	–	*4	*13	*2	19
Special mention (61 – 90 days and well secured)	–	28	–	–	–	28
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, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates

An analysis of core loans and advances to customers

R'million 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)
As at 31 March 2009				
Current core loans and advances	107 663	–	–	
Past due (1 – 60 days)	–	1 774	–	
Special mention	–	622	–	
Special mention (1 – 60 days)	–	246	–	
Special mention (61 – 90 days and well secured)	–	376	–	
Default	21	457	3 013	
Sub-standard	21	457	131	
Doubtful	–	–	2 880	
Loss	–	–	2	
Total				
As at 31 March 2008				
Current core loans and advances	94 834	–	–	
Past due (1 – 60 days)	–	1 132	–	
Special mention	–	222	–	
Special mention (1 – 60 days)	–	75	–	
Special mention (61 – 90 days and well secured))	–	147	–	
Default	–	–	973	
Sub-standard	–	–	330	
Doubtful	–	–	622	
Loss	–	–	21	
Total				

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
–	(79)	107 584	–
–	(3)	1 771	178
–	(6)	616	115
–	(6)	240	76
–	–	376	39
(918)	–	2 573	1 012
(56)	–	553	226
(860)	–	2 020	786
(2)	–	–	–
(918)	(88)	112 544	1 305
–	(44)	94 790	–
–	(26)	1 106	177
–	(2)	220	47
–	(1)	74	19
–	(1)	146	28
(300)	–	673	341
–	–	330	131
(288)	–	334	210
(12)	–	9	–
(300)	(72)	96 789	565

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)	Special mention (1 – 60 days)	Special mention (61 – 90 days and well secured)
As at 31 March 2009				
Private Banking professional and HNW individuals	71 867	1 599	246	315
Corporate sector	20 998	63	–	40
Banking, insurance, financial services (excluding sovereign)	11 596	–	–	–
Public and government sector (including central banks)	2 149	–	–	–
Trade Finance	1 053	112	–	21
Total gross core loans and advances to customers	107 663	1 774	246	376
As at 31 March 2008				
Private Banking professional and HNW individuals	64 338	1 021	75	128
Corporate sector	18 892	–	–	–
Banking, insurance, financial services (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

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

R'million Audited	31 March 2009	31 March 2008
Private Banking professional and HNW individuals	76 651	66 460
Corporate sector	21 840	18 911
Banking, insurance, financial services (excluding sovereign)	11 596	9 694
Public and government sector (including central banks)	2 149	1 094
Trade Finance	1 314	1 000
Other	–	2
Total gross core loans and advances to customers	113 550	97 161

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
489	2 133	2	76 651	(62)	(437)	(499)
85	654	–	21 840	(13)	(420)	(433)
–	–	–	11 596	(13)	–	(13)
–	–	–	2 149	–	–	–
35	93	–	1 314	–	(61)	(61)
609	2 880	2	113 550	(88)	(918)	(1 006)
330	547	21	66 460	(40)	(252)	(292)
–	19	–	18 911	(27)	(19)	(46)
–	–	–	9 694	–	–	–
–	–	–	1 094	–	–	–
–	56	–	1 000	–	(29)	(29)
–	–	–	2	(5)	–	(5)
330	622	21	97 161	(72)	(300)	(372)

Risk management

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

As at 31 March 2009 R'million Audited	Private Bank	Capital Markets	Other*	Total
Gross core loans and advances to customers	76 648	32 826	4 076	113 550
Total impairments	(499)	(341)	(166)	(1 006)
Portfolio impairments	(62)	(19)	(7)	(88)
Specific impairments	(437)	(322)	(159)	(918)
Net core loans and advances to customers	76 149	32 485	3 910	112 544
Average gross core loans and advances	71 554	29 818	3 983	105 355
Current loans and advances to customers	71 865	32 121	3 677	107 663
Total gross non current loans and advances to customers	4 783	705	399	5 887
Past due loans and advances to customers (1 – 60 days)	1 599	63	112	1 774
Special mention loans and advances to customers	561	40	21	622
Default loans and advances to customers	2 623	602	266	3 491
Gross core loans and advances to customers	76 648	32 826	4 076	113 550
Total gross non-current loans and advances to customers	4 783	705	399	5 887
Default loans that are current and not impaired	21	–	–	21
Gross core loans and advances to customers that are past due but not impaired	2 617	103	133	2 853
Gross core loans and advances to customers that are impaired	2 145	602	266	3 013
Total income statement charge for impairments on core loans	(256)	(354)	(146)	(756)
Gross default loans and advances to customers	2 623	602	266	3 491
Specific impairments	(437)	(322)	(159)	(918)
Defaults net of specific impairments	2 186	280	107	2 573
Collateral and other credit enhancements	2 946	449	150	3 545
Net default loans and advances to customers (limited to zero)	–	–	–	–
Specific impairments as a % of gross core loans and advances to customers	0.57%	0.98%	3.89%	0.81%
Portfolio impairments as a % of gross core loans and advances to customers	0.08%	0.06%	0.17%	0.08%
Total impairments as a % of gross core loans and advances to customers	0.65%	1.04%	4.05%	0.89%
Specific impairments as a % of gross default loans	16.66%	53.55%	59.67%	26.30%
Gross defaults as a % of gross core loans and advances to customers	3.42%	1.83%	6.53%	3.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.87%	0.86%	2.74%	2.29%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	0.36%	1.19%	3.68%	0.72%

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

Collateral

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

R'million	Collateral held against Gross core loans and advances	Collateral held against Other credit and counter-party exposures*	Total
As at 31 March 2009			
Eligible financial collateral	22 574	2 941	25 515
Listed shares	20 378	417	20 795
Cash	2 136	2 524	4 660
Debt securities issued by sovereigns	60	–	60
Mortgage bonds	131 862	139	132 001
Residential mortgages	41 024	139	41 163
Residential development	15 081	–	15 081
Commercial property development	13 439	–	13 439
Commercial property investments	62 318	–	62 318
Other collateral	27 883	4 286	32 169
Unlisted shares	857	–	857
Bonds other than mortgage bonds	8 537	2 350	10 887
Debtors, stock and other corporate assets	3 214	–	3 214
Guarantees	10 281	1 364	11 645
Credit derivatives	445	–	445
Other	4 549	572	5 121
Total collateral	182 319	7 366	189 685
Suretyships	14 543	–	14 543
Collateral including suretyships	196 862	7 366	204 228

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

Traded market risk governance structure 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.

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 are submitted to the regulator on a monthly basis.

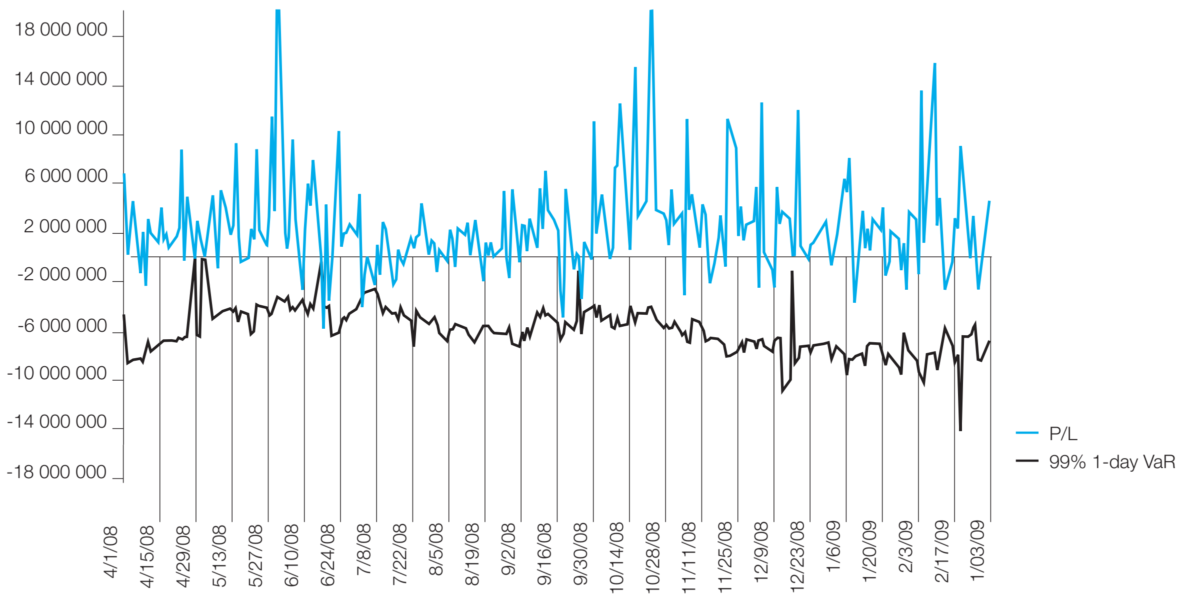
VaR 95% (one-day)

R'million Audited	31 March 2009	31 March 2008
Commodities	0.3	0.4
Equity derivatives	2.4	3.1
Foreign exchange	2.9	1.8
Interest rates	0.9	0.4
Consolidated*	4.0	2.5
High	8.4	8.6
Low	1.4	1.4
Average	3.3	3.8

* 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 these graphs, we can gauge the accuracy of the VaR figures.

99% 1-day VaR backtesting (Rands)



There have been two exceptions, i.e. where the loss is greater than the VaR. These exceptions were mainly due to the sudden increased volatility in the interest rate and foreign exchange markets in the middle of 2008. Both exceptions were marginal and in line with the 99% confidence interval expectations.

ETL 95% (one-day)

R'million Audited	31 March 2009	31 March 2008
Commodities	0.6	0.5
Equity derivatives	3.5	5.0
Foreign exchange	5.4	2.7
Interest rates	1.4	0.7
Consolidated*	6.4	4.2

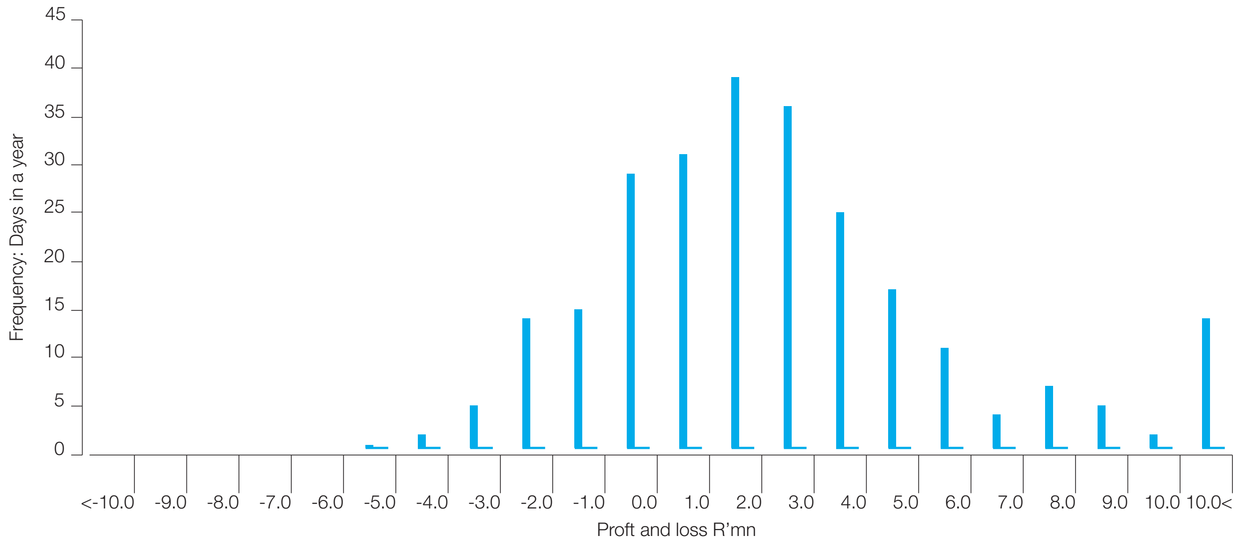
* The consolidated VaR for each desk is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes

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 2009	31 March 2008
Commodities	2.3	3.1
Equity derivatives	18.2	23.7
Foreign exchange	22.1	13.8
Interest rates	7.2	3.1
Consolidated	49.8	43.7

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 191 days out of a total of 258 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was R2.5 million.



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. Historical VaR is used (over 500 days of unweighted data), where every "risk factor" is exposed to daily moves over the past two years. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

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

Traded market risk year in review

The past year has been masked by extreme market movements, both in direction and volatility.

Investec's South African model of basing trades on client flow has once again proved to be successful as all trading desks have, to a varying degree, been profitable.

The majority of revenue earned from our trading activities within the Capital Markets division is related to client flow activity.

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 140 and 141.

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

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure

Management believes that a centralised framework permits active global management of balance sheet risk in this complex environment. Balance sheet risk management is discharged within each geography, using regional expertise and local market access as appropriate, continuously assessing the risks whilst taking changes in market conditions into account. Under the delegated authority of the board of directors, Asset and Liability Management Committees (ALCOs) within each region are mandated to manage the balance sheet risks on a consistent basis with pre-approved principles and policies across all business activities without exception. 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. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements and limits are set according to the depth and liquidity of the market in which we operate.

We continue to improve risk measurement processes and methodologies in line with regulatory requirements and banking industry best practice. The Balance Sheet Risk Management team ensure that a comprehensive and consistent governance framework for balance sheet risk management is followed across the group. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing 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, providing for a controlled and flexible response to volatile market conditions. 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 conservative 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 the stability of unsecured funding are competitive rates, the maintenance of depositors' confidence and our reputation.

Risk management

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 arises from the provision of retail, private client and wholesale (non-trading) banking products and services. 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 yield 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 both from a net interest margin (earnings) perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities. 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 appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing; net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve; and economic value sensitivity and stress-testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in 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 then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by transferring the risk into the trading books within the Capital Markets division and managing these under market risk limits. Policy requires that interest rate risk arising from fixed interest loans 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 an obligation to manage the market risk within our statutory and surplus liquid assets portfolios. The Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles. Although these portfolios also form part of the non-trading book, they are marked-to-market and are risk managed within predefined risk limits.

Risk management

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 assuming no management intervention.

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	9 591	–	–	–	–	3 137	12 728
Cash and short-term funds – non-banks	5 203	–	–	–	–	–	5 203
Investment/trading assets	11 395	4 573	2 837	425	100	4 883	24 213
Securitised assets	4 512	–	–	–	–	–	4 512
Advances	92 913	2 623	1 457	9 968	5 194	–	112 155
Other assets	–	–	–	–	–	1 270	1 270
Assets	123 614	7 196	4 294	10 393	5 294	9 290	160 081
Deposits – banks	(11 909)	(115)	(90)	-	-	(45)	(12 159)
Deposits – non-banks	(108 729)	(7 116)	(3 909)	(2 283)	(681)	(2 070)	(124 788)
Negotiable paper	(622)	(300)	(20)	-	-	(12)	(954)
Securitised liabilities	(3 186)	–	–	–	–	–	(3 186)
Investment/trading liabilities	(7)	–	–	–	–	(24)	(31)
Subordinated liabilities	(1 141)	–	–	(3 750)	(200)	–	(5 091)
Other liabilities	(766)	(81)	–	(431)	(140)	(3 132)	(4 550)
Liabilities	(126 360)	(7 612)	(4 019)	(6 464)	(1 021)	(5 283)	(150 759)
Intercompany loans	4 359	431	(481)	(348)	(102)	850	4 709
Shareholders' funds	(1 518)	–	–	–	–	(12 421)	(13 939)
Balance sheet	95	15	(206)	3 581	4 171	(7 564)	92
Off-balance sheet	(2 160)	12 471	(3 791)	(3 843)	(2 769)	–	(92)
Repricing gap	(2 065)	12 486	(3 997)	(262)	1 402	(7 564)	–
Cumulative repricing gap	(2 065)	10 421	6 424	6 162	7 564	–	–

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 assuming no management intervention, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

'million	Sensitivity to the following interest rates (expressed in original currencies)				All (ZAR)
	ZAR	GBP	USD	AUD	
200bp down	(12.7)	(0.1)	0.2	0.2	(9.5)
200bp up	(13.9)	0.3	0.1	(0.1)	(10.2)

Liquidity risk description

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, 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 with established funding sources. 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, projected balance sheet growth, and future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

The bank maintains an internal funds transfer pricing system based on prevailing market rates, thus signalling the right incentive to our lending businesses. Central Treasury charge out the cost of long- and short-term funding to internal consumers of liquidity and provide long-term stable funding for our asset creation activity.

We are an active participant in the global financial markets. Our relationship is continuously enhanced through regular investor presentations internationally. During the year we have instituted various unsecured term syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets during challenging conditions and global market dislocation. 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 unsecured 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 without recourse to the wholesale markets. 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 dislocation in the financial markets with customer deposits increasing by 13.1% to R40.6 billion over the financial year.

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 that provides our customers with access to the commercial paper market. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and a 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, government, or bank paper (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. In aggregate, Investec is a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. From 1 April 2008 to 31 March 2009 average cash and near cash balances over the period amounted to R41.3 billion in South Africa.

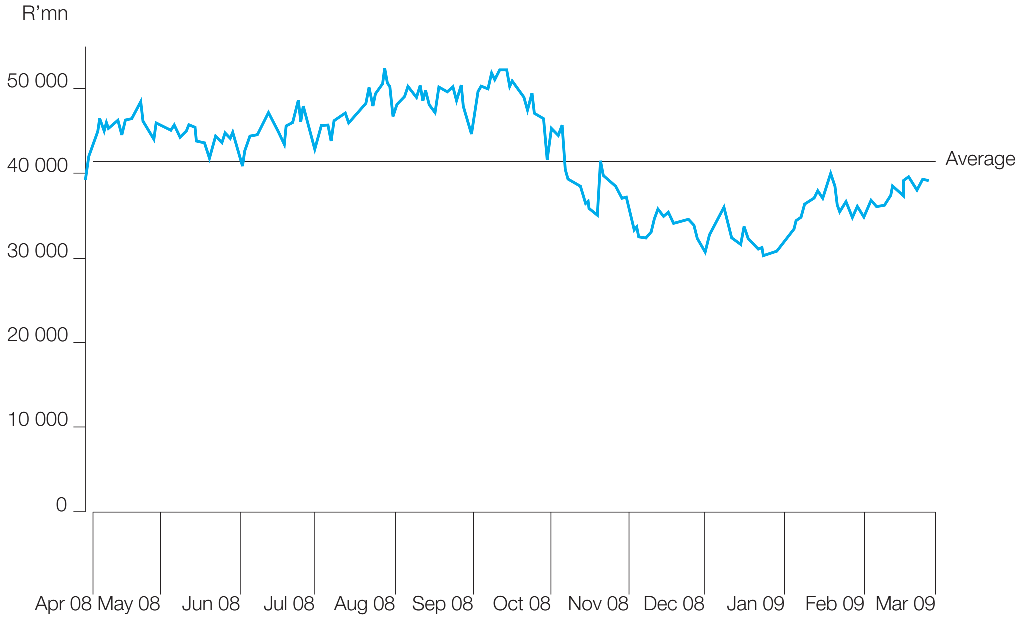
A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely 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 a wide range of normal and stressed market conditions, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into flexible short- and long-term funding plans 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 and 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.

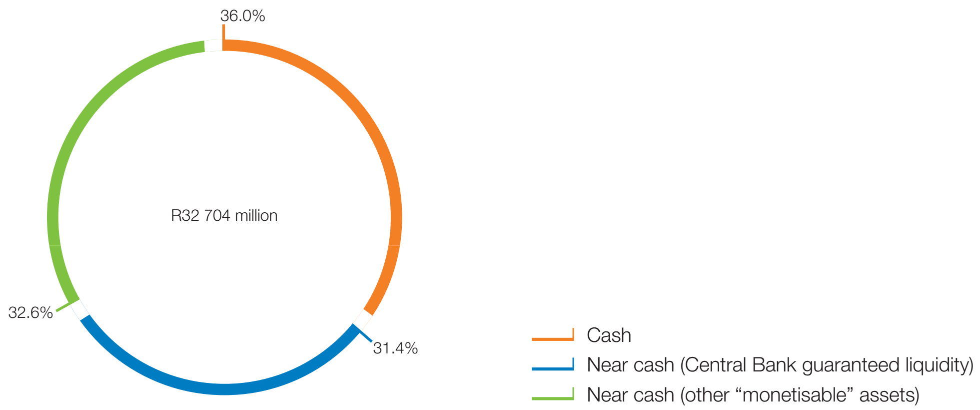
We maintain liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term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

Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction.

Cash and near cash trend over the financial year



An analysis of cash and near cash



Liquidity mismatch

The tables that follow show our liquidity mismatch. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

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 to 10 years	Total
Cash and short-term funds – banks*	11 680	898	19	29	47	548	–	13 221
Cash and short-term funds – non-banks	5 203	–	–	–	–	–	–	5 203
Investment/trading assets**	8 689	13 435	1 294	1 541	1 513	6 794	4 700	37 966
Securitised assets	142	17	49	250	558	2 895	601	4 512
Advances	4 912	5 235	10 643	9 840	12 756	40 374	28 395	112 155
Other assets	151	73	43	28	–	16	1 144	1 455
Assets	30 777	19 658	12 048	11 688	14 874	50 627	34 840	174 512
Deposits – banks	(2 317)	(1 099)	(126)	(210)	(90)	(8 317)	–	(12 159)
Deposits – non-banks	(37 190)	(35 572)	(25 497)	(8 398)	(13 153)	(3 695)	(3 634)	(127 139)
Negotiable paper	–	(150)	(484)	(300)	(20)	–	–	(954)
Securitised liabilities	(57)	(1 478)	(1 582)	–	–	–	(69)	(3 186)
Investment/trading liabilities	(369)	(303)	(1 719)	(1 316)	(1 547)	(8 170)	(49)	(13 473)
Subordinated liabilities	–	–	–	–	–	(4 691)	(400)	(5 091)
Other liabilities	(44)	(215)	(36)	(148)	(101)	(993)	(3 555)	(5 092)
Liabilities	(39 977)	(38 817)	(29 444)	(10 372)	(14 911)	(25 866)	(7 707)	(167 094)
Intercompany loans	1 302	2	33	280	136	2 039	2 984	6 776
Shareholders' funds	–	–	–	–	–	–	(14 194)	(14 194)
Contractual liquidity gap	(7 898)	(19 157)	(17 363)	1 596	99	26 800	15 923	–
Cumulative liquidity gap	(7 898)	(27 055)	(44 418)	(42 822)	(42 723)	(15 923)	–	–

Note: contractual liquidity adjustments (as discussed above)

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 to 10 years	Total
Cash and short-term funds – banks*	8 546	898	19	29	47	548	3 134	13 221
Investment/trading assets**	2 054	3 900	6 907	6 464	5 800	7 792	5 049	37 966

Behavioural liquidity (as discussed on page 62)

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 to 10 years	Total
Behavioural liquidity gap	11 072	79	(624)	(2,073)	(36 303)	8 590	19 259	–
Cumulative	11 072	11 151	10 527	8 454	(27 849)	(19 259)	–	–

Financial markets year in review

During the financial year ended 31 March 2009 the impacts of the global financial crisis intensified with funding conditions deteriorating in response to the collapse of Lehman Brothers in late 2008 and the uncertainty it created in the minds of individuals with respect to the safety of banks in general.

A noteworthy characteristic of the market turmoil is the adverse effects it has had on the liquidity and funding risk profile of the banking system in general. At a universal level, these may be characterised as follows:

- Banks became unwilling to lend to each other beyond the very short-term resulting in pressure being placed on funding costs
- The ability of many market participants to issue unsecured debt has been constrained
- Asset classes considered to be liquid turned out to be illiquid with no readily available repo market.

In response to the global financial crisis, many governments and central banks have taken unprecedented action to alleviate the effects of market turmoil making available guaranteed funding facilities and introducing wide-ranging fiscal stimuli.

The last financial year was characterised by volatile global interest rates as policy makers continued to respond to the global financial crisis and resultant market dislocations in different geographies.

- Rand interest rates – The South African Reserve Bank (SARB) increased interest rates by 0.5% in June 2008 (following on April 2008's 0.5% increase) bringing South Africa's interest rate cycle to its most recent peak, thereafter the cycle turned down, with the first cut of 0.5% occurring in December 2008. February 2009 saw monetary easing of 1.0%, with the Reserve Bank Governor announcing that if he had had his way a full 2.0% cut would have occurred instead at that meeting. Citing that the rapidly deteriorating state of the economy requires constant monitoring and urgent action by policy makers, the SARB then promptly announced it would meet to decide on the interest rate stance every month this year instead, with the exception of July, which enabled it to ease monetary policy by a further 1% in March 2009.

Balance sheet risk year in review

Calendar year 2008 has to be one of the most torrid years for financial markets globally, causing severe dislocation in money markets and changing the funding landscape for future years to come. Longer term liquidity all but dried up even for AAA names.

The South African interest rate environment was exceptionally volatile and eventful during the financial year ended 31 March 2009. The second quarter however, brought a major change in interest rate expectations as the deflationary risks of the burgeoning crisis in global financial markets became apparent. This made for exceptionally good trading conditions for the Capital Markets trading teams. However, liquidity conditions worsened over the financial year, particularly after the collapse of Lehman Brothers. Fortunately South African banks were largely shielded from the worst of the fall-out. However, the cost of term deposits continued to rise reflecting higher credit risk spreads, fortunately partly offset by significant increases in rates on new loans written by the bank. We concluded a USD450 million two year syndicated loan rollover in October 2008 which buttressed our liquidity. However, a combination of asset growth, a slowdown in securitisation and, slower liability growth resulted in a decrease in the amounts of surplus liquidity available on the South African balance sheet.

Operational risk management

Operational risk description

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

We have adopted the Standardised Approach to calculate operational risk regulatory capital.

Operational risk governance structure

The governance structure for operational risk management is outlined below.

Board

The board of directors through the BRCC and Audit Committee approve, monitor and review the operational risk framework, policies and practices of the group. Reports are presented to these committees on a regular basis.

Group Operational Risk Management

An independent specialist Group Operational Risk Management function is responsible for establishing the framework for operational risk management, and promotes consistent and sound operational risk management practices and processes across the group. This is in line with regulatory and stakeholder expectations in managing our operational risk.

Group Operational Risk Management has a specific responsibility for the monitoring and oversight of Business Continuity Risk Management and Financial Crime Risk Management; and monitors Change Control Management, Information Security Risk and Technology Risk, which is the responsibility of the subject matter experts.

The Operational Risk Committee and/or working groups promote and monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices.

Group Operational Risk Management is responsible for facilitating the interaction and relationship with the various supervisors of the group.

Business units

Business unit senior management is responsible for the management of operational risk within their business units. This is achieved by ensuring that the operational risk management framework, policies and practices, as established by Group Operational Risk Management, are embedded within the business unit.

A network of Embedded Risk Managers (ERMs) within the business units assist management with the management and monitoring of operational risk. Material operational risks are addressed at the individual business unit risk committees and, if necessary, escalated to Group Operational Risk Management and the BRCC.

Assurance

All processes are subject to reviews by Internal Audit as well as onsite reviews by the relevant supervisors. In certain instances, internal specialist subject matter experts are called on to validate the operational risk practices.

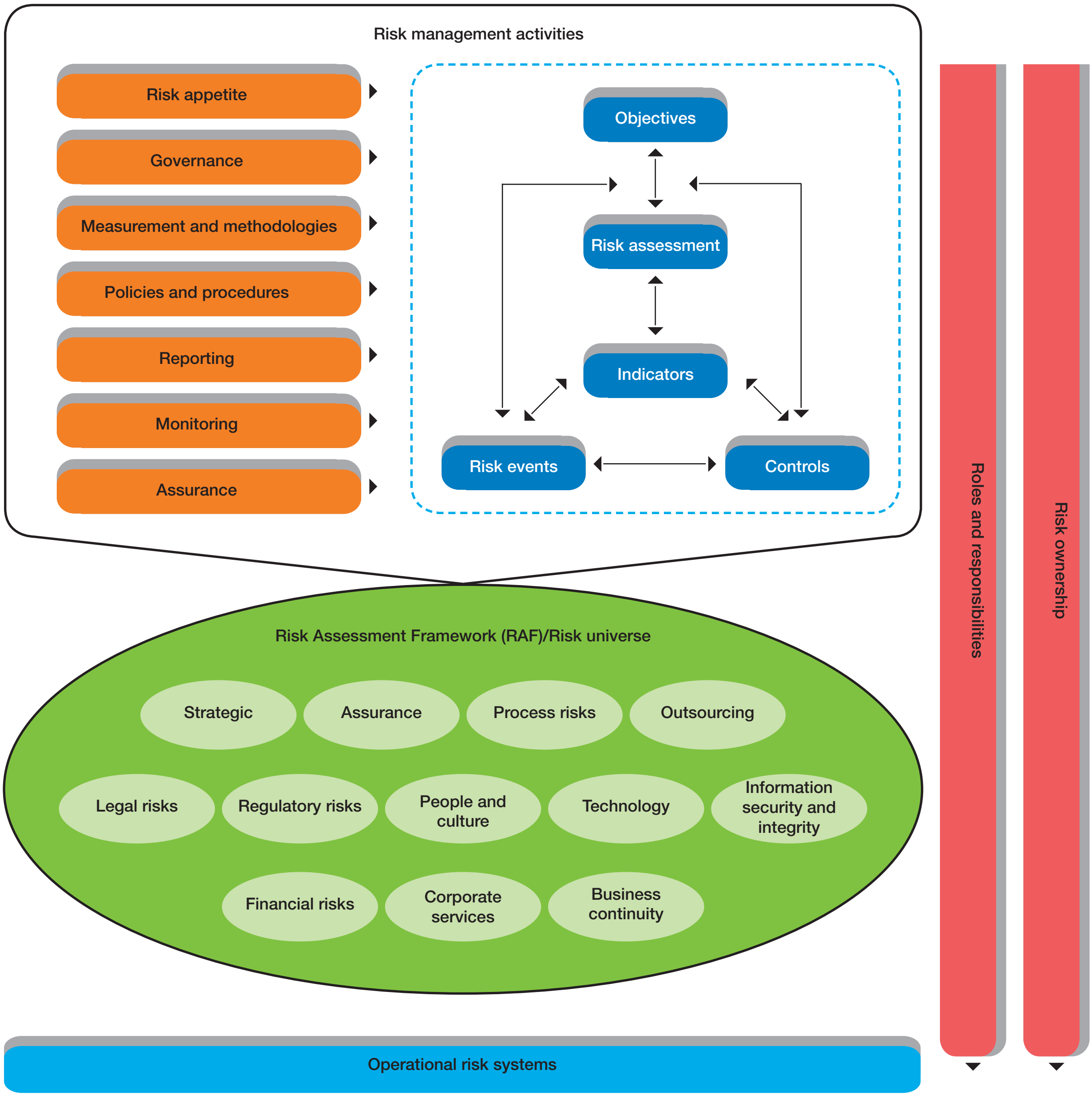
Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group.

A group wide operational risk system is used for the recording, identification, assessment, measurement and monitoring of operational risks facing the individual business units. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view of the operational risk profile. Detailed analysis and reporting across the operational risk profile is also possible.

Risk management

The following diagram provides an overview of the Operational Risk Management framework.



Risk management

Operational risk identification and risk assessments

The risk assessment process is central to the operational risk management process. A qualitative risk assessment is conducted using an identified universe of operational risks contained in the Risk Assessment Framework (RAF).

The RAF is organised into risk areas and relevant associated detailed risks. Risks are assessed based on likelihood of occurrence and consequence, arriving at a controlled operational risk exposure.

Surveys and publications from reliable sources are monitored and compared to the RAF to confirm relevance and completeness, and to identify emerging issues.

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

Risk assessments are reviewed regularly based on the internal and external events, changes in the business environment, and new products introduced.

Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures applicable to the respective operating jurisdictions.

Operational risk events

The majority of our internal risk events, by value, fall into the execution, delivery and process management event type. The majority of these events are infrequent and unexpected but high value events. The majority of events, by count, fall into the external fraud event type. These relate to credit card fraud.

Infrequent, unexpected, high value risk events for the financial year 2009 represent 96% of the total value of the risk events and less than one percent of the total number of risk events.

Internal risk events are recorded in the group wide operational risk system. Causal analyses are performed and actions are identified to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events.

External events from public sources are monitored, recorded and analysed in the same manner as internal events. This allows for enhancement or improvements to the risk and control environment through the lessons learnt by these events.

Operational risk indicators

Key operational risk indicators are monitored. The process remains an ongoing area of development.

Operational risk measurement

Material operational risks relevant to the jurisdictions we operate in have been identified by Group Operational Risk Management in conjunction with the business units.

In the year under review each material operational risk was subjected to a scenario evaluation. Various plausible, extreme, infrequent scenarios were developed and documented for each material operational risk. Scenario information was sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The scenario evaluations are combined through Monte Carlo simulation to determine a business unit and group proposed operational risk measure which is considered as an input into the internal operational risk capital. This is subject to review by the Capital Committee.

Reporting

Group Operational Risk reports to the Board, BRCC and Audit Committee on a regular basis. These reports are based on monitoring performed by Group Operational Risk Management and input received from the business units. This continues to be an area of focus to improve the relevance and reliability of reporting.

Other key operational risks

Business continuity risk

The ability of the group to respond to and maintain an appropriate level of operating capability in the event of a disruption is a significant area of focus.

Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of the group's geographical locations. A network of business continuity coordinators has responsibility for embedding the business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit.

Business continuity risk awareness and practices have continued to mature throughout the group. Continuous improvement of the operating resilience allowed the group to respond effectively to various minor incidents without significant disruption to the business. Regular and robust simulations are conducted throughout the group to assess the readiness to respond to disruptions and identify areas that require remediation.

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 the group's 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.

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

Developments

In the year under review the group was subject to regulatory onsite reviews by the SARB and the Bank of Mauritius. We participated in the international Loss Data Collection exercise. This assisted in confirming and refining loss data collection standards and practices.

As a result of the current financial crisis and the lessons learnt from this, we strive to continuously strengthen our operational risk environment by regularly evaluating the risk assessments and control framework and updating them in line with developments in the market and emerging exposures.

Areas of focus:

- Business continuity capability – rigorous and ongoing simulations and readiness evaluation.
- Awareness and understanding of financial crime. Developments in this area are monitored through participation in the industry fora.
- Enhancements to the IT Risk Assessment Framework which incorporates the Information Security Framework.
- The refinement of the operational risk measurement methodologies through scenario analysis.
- Key operational risk indicators that are relevant have been considered and remain an ongoing development area.
- Improvement of the quality of operational risk management data.
- Introduction of a new risk and causal analysis approach to enable us to further analyse internal and external risk events.
- Improvements to the reporting framework. Continued enhancements based on industry practice.

Our processes provide for continuous development and monitoring to ensure that the framework and practices remain relevant and are appropriate and adequate and in line with leading industry practices including regulatory requirements. Embedding operational risk management awareness and practices in our business remains an ongoing activity.

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group Insurance Risk Manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk ensures that there is an exchange of information of both areas in order to enhance the mitigation of operational risks.

Reputational risk

Reputational risk is caused by damage to our 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.

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

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

Corporate 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.

A Legal Risk Forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the Global Head of Legal Risk or an appointed deputy. Minutes of the meetings are circulated to the Chief Executive Officer of each legal entity.

Capital management and allocation

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

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Invested Limited were a single unified enterprise. Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number or subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

Risk management

Philosophy and approach

As a consequence of the global financial markets crisis there is a strong expectation from bank stakeholders that banking groups need to and will improve their capital adequacy ratios. Investec has always held capital well in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changed banking world. Accordingly, the group considers it appropriate to adjust its capital adequacy targets and build its capital base, targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec plc and Investec Limited, respectively.

The determination of target capital is driven by our strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between ensuring that we are prudently capitalised to meet our risks, and optimisation of shareholder returns.

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is tied to group-wide disciplines surrounding:

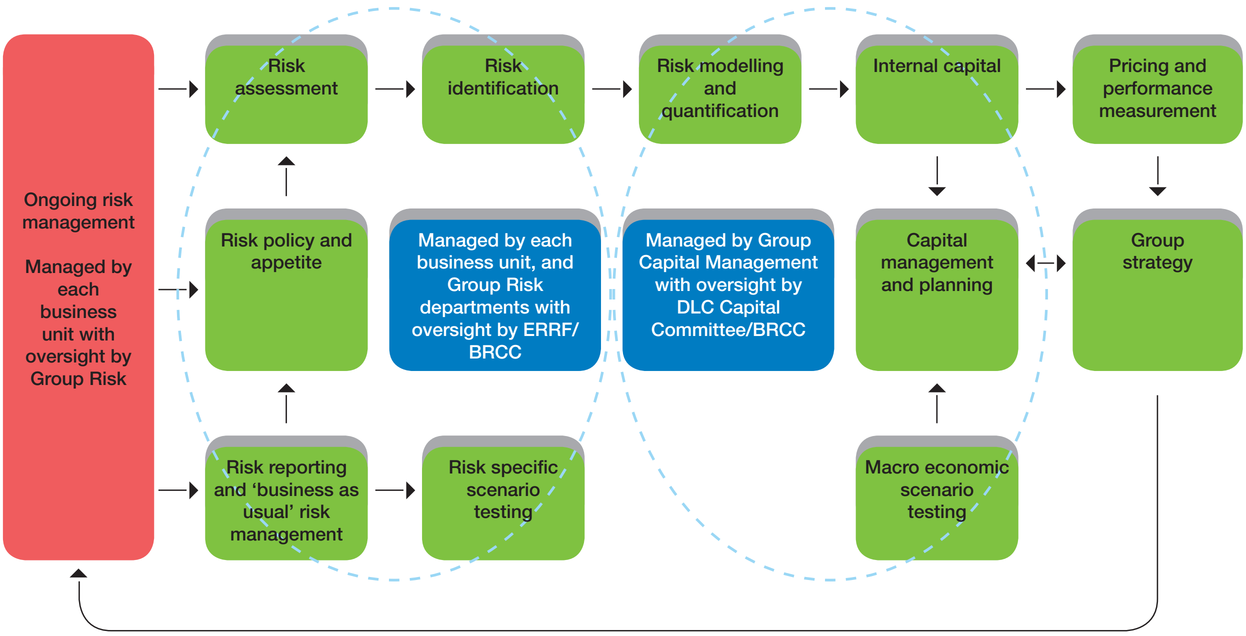
- Capital allocation and structuring
- Investment decision making and pricing
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities
- Performance measurement
- Risk-based incentive compensation.

Consequently the objectives of the internal capital framework are to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite;
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the greatest expected marginal risk based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted.

The framework has been approved by the board and is managed by the DLC Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, we adhere to 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 the BRCC following an extensive process of engagement with senior management. 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. 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

As part of standard business practice, 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. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting, including, where appropriate the results of scenario testing. Key risk types that are considered fall within the following:

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

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed through ERRF and BRCC.

Role of regulatory capital in capital management

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

The regulatory rules within Basel II are designed to provide greater differentiation of risk between asset classes. In addition, the rules seek to account for operational risk, in addition to the traditional capital requirements for credit and market risks. We do not, however, use regulatory capital as the exclusive driver of capital allocation.

In addition, while the measurement of capital from a regulatory perspective has changed following the introduction of Basel II, the risk appetite of the board and senior management remains unchanged. Indeed, given the rapid deterioration in capital availability across the global banking industry and the increasing risk aversion of the market, senior management have determined that capital should remain at conservative levels, in line with capital targets, regardless of any potential benefit arising from a change in regulatory capital rules. This requirement has been adopted within our approach to "Pillar 2", of which the internal capital framework constitutes a central role.

Therefore, 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 requirements. However, we do manage our capital resources to ensure that all group entities exceed local capital adequacy rules in the jurisdictions in which they operate. Local management are responsible for compliance with entities' minimum regulatory requirements, although the allocation of capital supply is controlled by the DLC Capital Committee.

Internal capital

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board approved risk assessment process described above. Assessments for all risks are based on analysis of internal data, management expertise and judgment and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk;
- Equity and property risk in the banking book;
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks;
- Business risk; and
- Operational risk.

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to: fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Risk management

Capital management, planning and scenario testing

A group capital plan is prepared at least 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 over the medium term (3 years), with the impact on both earnings and asset growth 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 at least three times annually.

Stressing the capital plans is an important tool by which the board can gain insight as to the potential sources of vulnerability of the capital sufficiency of the group through market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC Capital Committee. Such plans are used by management to formulate responses to potential adverse business conditions using all available management levers.

In particular, our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy of a range of scenarios based on an expected case, upturn and downturn scenarios. On the basis of the results of this analysis the DLC Capital Committee, and the BRCC, are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

Internal capital is fully integrated into many key operational processes, including:

- Determining transactional risk based returns on capital
- Establishing break even pricing
- Optimising capital allocation
- Comparing risk based performance across business areas
- Forming 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 means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. 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. The group's senior management take active roles in allocating capital at a transactional level. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn the DLC Capital Committee. These forums have been in place for several years.

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.

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

- Business units, in particular those who 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 requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account the capital usage.
  - 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. These plans assist senior management with prioritising the use of our available capital.
- Risk Management:
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process.
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk capital generated by trading activities. Traded market risk is closely monitored by our various risk management fora,
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via 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:
  - Regulatory reporting is the responsibility of a dedicated team within Group Finance, who are responsible for ensuring regulatory capital requirements are continuously met.
  - 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 group's 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.

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 152.

R'million	31 March 2009	31 March 2008
Regulatory capital		
Tier 1		
Called up share capital	22	19
Share premium	9 056	8 277
Retained income	5 098	4 328
Other reserves	6	4
Total Tier 1 capital	14 182	12 628
Less: deductions	(242)	(402)
	13 940	12 226
Tier 2 capital		
Aggregate amount	5 106	5 006
Less: deductions	(142)	(204)
	4 964	4 802
Total capital	18 904	17 028
Capital requirements	12 652	11 285
Credit risk – prescribed standardised exposure classes	10 780	9 914
Corporates	8 507	7 604
Secured on real estate property	968	754
Counterparty risk on trading positions	349	485
Short-term claims on institutions and corporates	288	248
Retail	251	313
Institutions	331	421
Other exposure classes	86	89
Securitisation exposures	169	118
Equity risk – standardised approach	576	346
Listed equities	47	30
Unlisted equities	529	316
Market risk – portfolios subject to internal models approach	106	57
Interest rate	17	9
Foreign Exchange	39	17
Commodities	8	3
Equities	42	28
Operational risk – standardised approach	1 021	850

Capital adequacy

R'million	31 March 2009	31 March 2008
Tier 1 capital	14 182	12 628
Less: deductions	(242)	(402)
	13 940	12 226
Tier 2 capital	5 106	5 006
Less: deductions	(142)	(204)
	4 964	4 802
Total capital	18 904	17 028
Risk-weighted assets (banking and trading)	133 180	118 792
Credit risk – prescribed standardised exposure classes	113 478	104 357
Corporates	89 547	80 043
Secured on real estate property	10 186	7 935
Counterparty risk on trading positions	3 678	5 104
Short-term claims on institutions and corporates	3 036	2 606
Retail	2 640	3 293
Institutions	3 489	4 430
Other exposure classes	902	946
Securitisation exposures	1 778	1 237
Equity risk – standardised approach	6 061	3 644
Listed equities	497	318
Unlisted equities	5 564	3 326
Market risk – portfolios subject to internal models approach	1 118	605
Interest rate	182	95
Foreign Exchange	405	184
Commodities	83	36
Equities	448	290
Operational risk – standardised approach	10 745	8 949
Capital adequacy ratio	14.2%	14.3%
Tier 1 ratio	10.5%	10.3%
Capital adequacy ratio – pre operational risk	15.4%	15.5%
Tier 1 ratio – pre operational risk	11.4%	11.1%

Credit ratings

In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch	Individual rating	C	C
	Support rating	5	2
	Foreign currency		
	Short-term	F2	F2
	Long-term	BBB+	BBB+
	National		
	Short-term		F1+(zaf)
	Long-term		AA-(zaf)
Moody's	Bank financial strength rating		C
	Foreign currency		
	Short-term deposit rating		Prime-2
	Long-term deposit rating		Baa1
	National		
	Short-term		P1(za)
	Long-term		Aa2(za)
Global Credit Ratings	**Local currency**		
	Short-term		A1+(zaf)
	Long-term		AA-(za)

Internal Audit

Internal Audit provides objective and independent assurance to management and the board that group processes are adequate to identify 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 to address any weaknesses 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.

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited, respectively. An Internal Audit function reporting into Investec plc also exists in Sydney. The combined functions cover all of the geographies in which we operate. These departments use similar risk based methodologies and co-operate technically and operationally. The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of the Audit Committee. They operate independently of executive management but have access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance. Our Internal Audit departments have adopted and comply with the International Standards for the Professional Practice of Internal Auditing.

Annually, Internal Audit conducts a formal risk assessment of all businesses, from which a comprehensive risk based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible Audit Committee. High risk businesses and processes are audited annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given our dependence on IT systems. As a result of the continuing instability in the macro economic environment there has been a focus in the past year on the provision of assurance over liquidity, credit and capital management controls. We also liaise with the external auditors to enhance efficiencies. The annual plan is reviewed regularly to ensure that it remains relevant and responsive, given changes in our operating environment. The Audit Committee approves any changes to the plan.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment. Audit teams comprising well-qualified, experienced staff ensure that the function has the competence to match our diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The Internal Audit resources are subject to review by the respective Audit Committees at least once a year.

Significant control weaknesses are reported, in terms of an escalation protocol, to the Audit and Compliance Implementation Forums, where rectification procedures and progress are considered and monitored at a detailed level by management. The Audit Committee receives a report on significant issues and actions taken by management to enhance related controls.

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.

We are subject to extensive supervisory and regulatory governance in the countries in which we operate. The SARB is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business' home country regulatory authority.

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a Group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their silo. Each Group Compliance Officer reports to the Chief Executive Officer of their listed company as well as to the Global Head of Compliance, who is ultimately responsible for management of the Compliance function of both listed groups. The Group Compliance Officers have unrestricted access to the Chairman of their Audit Committee.

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses. Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the Group Compliance Officer.

Compliance risk is managed through internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Officers provide regular training to ensure that all employees are familiar with regulatory obligations. They also provide advice on regulatory issues. Compliance staff independently monitor the business units to ensure adherence to policies and procedures and other technical requirements.

Compliance staff work closely with business and operational units to ensure consistent management of compliance risk. The group's Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all our geographies.

South Africa – year in review

Anti-money laundering (AML)

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.

During the past year there has been an initiative to get all business units to implement the AML system, which in turn will provide for a centralised view of the Investec customer base. 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.

A further enhancement to the AML system to more adequately address the legislative requirements of suspicious activity reporting was implemented in the last quarter of 2008. In terms of the transactional monitoring requirement, a project has been initiated in 2008 which is aimed at the implementation of an automated suspicious activity monitoring system (ASAM), which takes cognisance of the clients' risk weighting and screening and profiles the clients' transactional behaviour across all business unit transactional systems. The ASAM system provides for customer segmentation and enhances customer due diligence on high risk customers. The project is due to be implemented in October 2009 but will have ongoing enhancements.

Consumer Law

The focus on consumer protection continues into 2009 and the implementation and monitoring of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA) is ongoing. Marking the introduction of broader and more comprehensive consumer rights is the Consumer Protection Act No. 68 of 2008 (CPA), which was signed into law in April 2009. The purpose of the CPA is to protect the interests of all consumers who are subject to abuse or exploitation in the market place and to give effect to internationally recognised best practice, while creating a strong culture of consumer rights and responsibilities. The Act is expected to be fully implemented by October 2010.

Compliance

Conflicts of interest

Potential conflicts of interest have been identified through workshops with the respective business areas. The potential conflicts identified have been mapped on a Conflicts Index Matrix, which includes an outline of general conflict types and the business areas between which the conflicts could occur. The mapping exercise additionally identified current mitigations and controls in place to manage the respective conflicts, as well as where enhanced controls are necessary.

This mapping exercise has been substantially completed for all business areas classified as having a high risk of exposure to conflicts of interest. The mapping for business areas identified as having a medium or low risk of exposure to conflicts of interest has been initiated, and is scheduled for completion by 31 March 2010.

All compliance policies that include mitigations and controls for conflicts of interest have been updated and aligned with international best practice.

A Market Conduct module has been added to the compliance induction training. The module focuses on practical identification and management of conflicts of interest including the conflicts inherent in gifts and entertainment, market abuse and personal account dealing.

Risk based monitoring

The second phase of the project which involved the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise risk Assessor software was completed successfully during the year. An annual reassessment programme is in progress for all the relevant acts loaded on the Enterprise Risk Assessor which involves re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant.

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 2009 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 and maintain trust.

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

Board statement

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

King II – Independence of the Chairman
The Chariman, 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 Investec Bank Limited's combined financial statements, accounting policies and the information contained in the Annual Report.

Our financial statements are prepared on a going concern basis.

The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 59 to 63 and pages 68 to 74.

Board of directors

The composition of the board of Investec Bank Limited is set out on page 82.

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 bank within a framework of prudent and effective controls which allows risks 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 group's values and standards, promoting the highest standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks 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 2009 Annual Report.
- Nominations and Directors' Affairs Committee
- Remuneration Committee

These committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

Nominations and Directors' Affairs Committee

The Nominations and Directors' Affairs Committee has combined the duties of a Nomination Committee and that of a Directors Affairs Committee as required under Section 64B of the South African Banks Act.

Role and responsibilities

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

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

Nominations and Directors' Affairs Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
HS Herman (Chairman)	3	3	–
SE Abrahams	3	3	Yes
Sir Chips Keswick*	3	1	Yes
F Titi	3	2	–
PRS Thomas	3	3	Yes

* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman

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.

Corporate governance

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 these 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 regularly by the Executive Risk Review Forum and 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, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the Audit Committees and are independently assessed by Internal Audit and Compliance.

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 Directive 6/2008 of 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. 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. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the bank.

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

Corporate governance

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/en_za/#home/our-business-responsibility.html

Directorate

Fani Titi (46)
BSc (Hons) MA MBA
Non-Executive Chairman

David M Lawrence (58)
BA(Econ) (Hons) MCom
Deputy Chairman

Sam E Abrahams (70)
FCA CA(SA)

Glynn R Burger (52)
BAcc CA(SA) H Dip BDP MBL

Richard MW Dunne (60)
CA(SA)

Bernard Kantor (59)
CTA

Stephen Koseff (57)
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (51)
BCom MAP LDP

Karl-Bart XT Socikwa (40)
BCom LLB MAP

Bradley Tapnack (62)
BCom CA(SA)

Peter RS Thomas (64)
CA(SA)

C Busi Tshili (45)
CA(SA)

Empowerment in South Africa

The information in this section refers to the bank's holding company, Investec Limited and relates to the period 1 January 2008 to 31 December 2008.

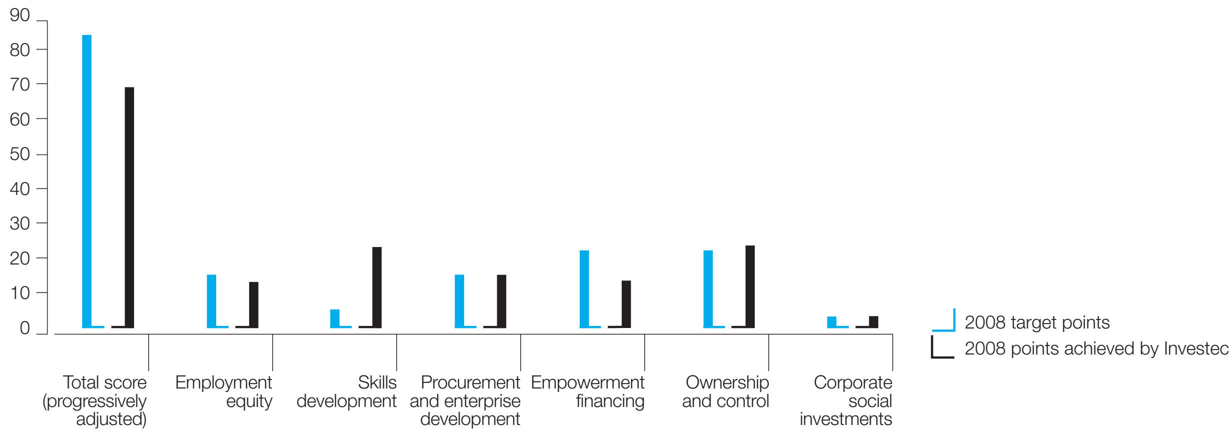
- A key consideration in so far as sustainability within Investec is concerned relates to how we are tackling the subject of transformation within South Africa.
- A strong entrepreneurial culture shapes our approach to transformation. This approach involves:
  - Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
  - Serving as a leading source of empowerment financing
  - Encouraging internal transformation by bringing about greater representivity in our workplace. In this regard, we are focusing on creating black entrepreneurs within the organisation.

Our positioning

- We remain committed to black economic empowerment (BEE) and maintaining a BEE 'A' rating.
- From a reporting perspective, we submitted our fourth Financial Sector Charter Report to the Charter Council in March 2009 which included a comprehensive analysis of our positioning in this regard.
- Based on the Charter Council guidelines and a verification process carried out by KPMG Services (Pty) Ltd we are pleased to state that we achieved our target of an 'A' rating in terms of the Financial Sector Charter. This is still to be confirmed by the Financial Sector Charter Council.

Empowerment statistics

Total FSC points achieved per category vs 2008 targets



Our Financial Sector Charter Report is available on our website at www.investec.com/en_za/#home/investor_relations.html

Empowerment in South Africa

Summary scorecard

FSC category	Investec 2008 target	2008 actual	2007 actual	Investec 2008 target points	Total points 31 Dec 2008	Total points 31 Dec 2007	Total points 31 Dec 2006	Total points 31 Dec 2005
Employment equity				15	12.9	10.0	9.9	4.0
Senior management – Black people	25%	15.7%	10.4%	4	2.5	1.6	1.6	–
Senior management – Black women	4%	5.4%	3.2%	1	1.0	0.8	0.7	–
Middle management – Black people	30%	26.8%	23.4%	4	3.6	3.1	3.0	–
Middle management – Black women	10%	14.7%	11.5%	1	1.0	1.0	1.0	0.8
Junior management – Black people	50%	47.5%	39.5%	4	3.8	2.5	2.6	2.2
Junior management – Black women	17%	33.0%	26.8%	1	1.0	1.0	1.0	1.0
Skills development				5	2.3	1.8	1.4	0.9
% payroll spent on training of black employees	1.5%	1.1%	0.9%	3	2.3	1.8	1.4	0.9
Learnerships	4.5%	–	–	2	–	–	–	–
Procurement and enterprise development				15	15.0	14.6	10.7	8.6
% defined procurement from BEE accredited companies	50%	61.8%	48.7%	15	15.0	14.6	10.7	8.6
Enterprise development spend				Scored together with procurement (see above)				
Empowerment financing				22	13.3	15.4	5.0	5.0
Targeted investments	R1.6 billion	R772 million	R772 million	17	8.3	10.4	exempt	exempt
BEE transaction financing	R1.2 billion	R2.6 billion	R2.5 billion	5	5.0	5.0	5.0	5.0
Access to financial services				18	–	–	–	–
Access to financial services	n/a	n/a	n/a	16	exempt	exempt	exempt	exempt
Consumer education	0.2%	–	–	2	(below threshold)			
Ownership and control				22	23.4	23.5	21.0	21.0
Black ownership	25%	25.6%	25.1%	14	^ 18.0	18.0	18.0	18.0
Black board members	33%	37.5%	37.5%	2	2.0	2.0	2.0	2.0
Black women board members	11%	12.5%	12.5%	1	1.0	1.0	1.0	1.0
Black executive management	25%	15.0%	15.8%	4	2.4	2.5	–	–
Black women executive management	4%	–	–	1	–	–	–	–
Corporate social investment				3	3.0	3.0	3.0	3.0
Post-tax profit spent on black CSI initiatives	0.5%	0.7%	1.0%	3	3.0	3.0	3.0	3.0
Total score (progressively adjusted)*					69.9/84	68.3/71.4	51.0/46.9	42.5/46.2
Overall rating (progressively adjusted)*					A rating	A rating	A rating	A rating

Note:

* Investec's scorecard is based on a total of 84 points (i.e. 100 less the 16 point exemption we received for access). Each year the total scorecard is adjusted by a progressive factor until the sector reaches the 2008 targets. The progressive factor for each reporting period is as follows: 2008 (100%), 2007 (85%), 2006 (70%) and 2005 (55%)

^ Including bonus points received

Risk management
and corporate
governance

Remuneration Report 5

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 the bank.

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.

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, thus ensuring that these programmes promote effective risk management.
- Reward programmes incorporate a pool mechanism that incorporates risk factors as discussed on page 89.
- 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 in normal market conditions 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.
- We do not apply an upper limit on performance bonuses given our risk based Economic Value Added approach (discussed further on page 89) and prefer to contain the fixed cost component of remuneration at modest 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.
    - ∞ 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 bank 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.

Remuneration Report

As a consequence of the global financial markets crisis and the resultant debate and review surrounding remuneration policies and procedures the committee has made a few changes to the components of our reward programmes.

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the company's policy to seek to set base salaries (including benefits) at median market levels.

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.

Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by realised Economic Value Added (EVA) profit performance against pre-determined targets above a risk and capital weighted return. These targets have been in force, and unchanged, for the past few years and are subject to annual review.

Our business strategy and associated risk appetite, together with effective capital utilisation, form the key cornerstones which underpin the EVA annual bonus allocation model. This model has been consistently applied for in excess of ten years. Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk adjusted capital base in excess of their target ROE. Targeted returns reflect the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to competitive benchmarks for each product line. Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy. The bank has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. Growth in profitability over time will result in an increasing incentive pool, as long as it is not achieved at the expense of capital efficiency. Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes.

In essence varying levels of return required for each business unit reflect 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 so as to ensure that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

Developments over the past year

During the financial year the bank implemented two changes with respect to annual bonus payments, which are highlighted here and explained in more detail below:

- The introduction of a deferred bonus plan; and
- The introduction of non-cash bonuses.

Investec Limited Deferred Bonus Plan 2008 and Investec plc Deferred Bonus Plan 2008

In April 2008, the bank introduced a deferred bonus scheme whereby a portion of an employee's variable remuneration can be awarded in the form of deferred bonus shares. The first awards were made as part of the June 2008 bonus payments. These share awards provided for a two-year deferral but the Bonus Plan allows for deferral of between one to five years. It is the condition of the plan that the employee is still employed by the bank on vesting date in order to benefit under this plan. Participants have no rights in respect of these shares, including the right to dividends, until the vesting date occurs.

EVA share awards (non-cash bonuses)

During the current year the bank further refined its performance bonus policies by introducing a non-cash element (in the form of forfeitable share awards) for all employees whose bonuses exceed a pre-determined hurdle rate (the amount of which will be reviewed each year) and by introducing a more formal deferral requirement, initially over an eleven-month period. These awards will be made in terms of our existing long-term incentive plans.

These changes are in addition to the introduction, in 2008, of a deferred bonus plan and further align directors' and employees' interests with those of stakeholders, and ensure that reward programmes are appropriately risk-adjusted.

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. This plan reached its final maturity in July 2008.

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 bank 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.

Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2009:

Name	Salaries, directors fees and other remuneration 2009 R	Annual bonus[1] 2009 R	Total remuneration expense 2009 R	Salaries, directors fees and other remuneration 2008 R	Annual bonus 2008 R	Total remuneration expense 2008 R
Executive directors						
S Koseff (Chief Executive Officer)	1 841 750	5 561 250	7 403 000	1 709 643	11 018 700	12 728 343
B Kantor (Managing Director)	591 217	3 707 500	4 298 717	705 258	7 155 000	7 860 258
GR Burger (Group Risk and Finance Director)	1 506 250	6 000 000	7 506 250	1 397 917	11 776 000	13 173 917
DM Lawrence (Deputy Chairman)	2 064 000	2 250 000	4 314 000	1 912 500	4 325 118	6 237 618
B Tapnack	1 353 000	2 400 000	3 753 000	1 258 500	2 866 407	4 124 907
Total in Rands	7 356 217	19 918 750	27 274 967	6 983 818	37 141 225	44 125 043
Non-executive directors						
F Titi (Chairman)	2 147 377	–	2 147 377	1 712 345	–	1 712 345
HS Herman	–	–	–	1 394 566	–	1 394 566
SE Abrahams	2 102 317	–	2 102 317	1 753 905	–	1 753 905
DE Jowell	–	–	–	535 910	–	535 910
MP Malungani	887 377	–	887 377	745 145	–	745 145
RMW Dunn	550 000	–	550 000	–	–	–
KXT Socikwa	287 500	–	287 500	123 000	–	123 000
PRS Thomas	1 225 818	–	1 225 818	1 080 089	–	1 080 089
B Tshili	112 500	–	112 500	112 500	–	112 500
Total in Rands	7 312 889	–	7 312 889	7 457 460	–	7 457 460
Total in Rands	14 669 106	19 918 750	34 587 856	14 441 278	37 141 225	51 582 503

Notes:
HS Herman retired from the Investec Bank Limited board and F Titi assumed the role as Chairman with effect from 1 June 2007. RMW Dunne was appointed as a director with effect from 2 June 2008. DE Jowell resigned as a director with effect from 30 September 2007.

[1] A portion of these bonuses will be deferred as discussed on page 89

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 2009.

Directors' interest in Investec plc and Investec Limited shares as at 31 March 2009

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2008	Beneficial and non-beneficial interest Investec plc[2] 31 March 2009	% of shares in issue[1] Investec plc 31 March 2009	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2008	Beneficial and non-beneficial interest Investec Limited[3] 31 March 2009	% of shares in issue[1] Investec Limited[3] 31 March 2009
Executive directors						
S Koseff (Chief Executive Officer)[4]	4 886 633	4 986 633	1.1%	441 515	1 899 330	0.7%
B Kantor (Managing Director)[5]	1 500	48 525	–	5 001 000	5 301 000	1.9%
GR Burger (Group Risk and Finance Director)[6]	2 530 095	2 132 135	0.5%	499 885	1 037 076	0.4%
DM Lawrence (Deputy Chairman)	959 255	959 255	0.2%	200 590	200 590	0.1%
B Tapnack	340 045	–	–	–	–	–
Total number	8 717 528	8 126 548	1.8%	6 142 990	8 437 996	3.1%
Non-executive directors						
SE Abrahams	30 000	30 000	–	–	–	–
MP Malungani[7]	–	–	–	7 728 890	7 728 890	2.7%
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%	7 985 095	7 985 095	2.8%
Total number	9 163 383	8 572 403	1.9%	14 128 085	16 423 091	5.9%

Notes:

[1] The total number of Investec plc and Investec Limited shares in issue as at 31 March 2009 was 444.9 million and 268.3 million respectively.

[2] The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year.

[3] The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year.

In addition to their shareholdings reflected in the table above, some of the directors have an interest in options over Investec Limited shares, the details of which are as follows:

[4] S Koseff – purchased European call options on 11 June 2008 over 155 825 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

[5] B Kantor –

- Purchased European call options on 22 July 2008 over 500 000 Investec Limited shares at a strike of R52.03 per share and an expiry date of 22 July 2010.
- Purchased European call options on 11 June 2008 over 500 000 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.
- Purchased put options on 27 November 2008 over 1 000 000 Investec Limited shares at a strike of R40.00 per share and an expiry date of 27 May 2009.
- Sold call options on 27 November 2008 over 2 000 000 Investec Limited shares at a strike of R50.00 per share and an expiry date of 27 May 2009.

[6] GR Burger – purchased European call options on 11 June 2008 over 63 300 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

[7] In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based Entrepeneurship 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.

Directors' interest in preference shares as at 31 March 2009

Name	Investec Bank Limited		Investec Limited		Investec plc	
	1 April 2008	31 March 2009	1 April 2008	31 March 2009	1 April 2008	31 March 2009
Executive directors						
S Koseff[1]	4 000	4 000	3 000	–	21 198	101 198
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 2009 was R82.00 (2008: R91.00).
- The market price of an Investec Limited preference share as at 31 March 2009 was R75.80 (2008: R84.40).
- The market price of an Investec plc preference share as at 31 March 2009 was R34.00 (2008: R98.00).
- [1] S Koseff bought the following preference shares during the period under review:
  - 10 757 shares on 19 December 2008 at R31.46 per share.
  - 5 143 shares on 22 December 2008 at R33.37 per share.
  - 14 100 shares on 23 December 2008 at R36.61 per share.
  - 50 000 shares on 9 February 2009 at R29.19 per share.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2009

Name	Entitlement to Investec plc shares		Entitlement to Investec Limited shares	
	1 April 2008	31 March 2009	1 April 2008	31 March 2009
Executive directors				
S Koseff	918 420	–	539 395	–
GR Burger	629 515	–	369 715	–
Total number	1 547 935	–	909 110	–

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 were 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.
- The Fintique II scheme matured on 31 July 2008 and all of the unitholders in the scheme disposed of their respective units and settled their obligations in terms of the scheme. All the shares to which the directors were entitled in terms of the scheme were taken up at a price of R2.32 per share, based on the valuation of the scheme as at 30 June 2008.
- Following the disposal of their respective Fintique II units on 30 June 2008, S Koseff received 1 457 815 Investec Limited shares and GR Burger received 999 230 Investec Limited shares. These shareholdings are now disclosed as part of the directors' aggregate beneficial and non-beneficial shareholdings in Investec Limited as reflected on page 91.
- The Fintique II scheme has been terminated as at 31 March 2009.

Directors' interest in options as at 31 March 2009

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2008	Exercised during the year[1]	Options granted/ lapsed during the year	Balance 31 March 2009	Market price at date of exercise[1]	Gross gains made on date of exercise	Period exercisable
Executive director									
B Kantor	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.69	£6 265	Vesting scale in terms of the scheme rules. Vesting ends 20 March 2012

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 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year. A total of 444.9 million Investec plc shares were in issue as at 31 March 2009.

[1] Details with respect to options exercised:
- B Kantor exercised his options and bought 5 675 Investec plc shares on 22 December 2008, when the share price was £2.69 per share. The performance conditions with respect to these options were met.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2009

Name	Date of grant	Exercise price	Number of Investec plc shares 1 April 2008	Number of Investec plc shares 31 March 2009	Period exercisable
Executive directors					
S Koseff	21 November 2005	Nil	750 000	750 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
B Kantor	21 November 2005	Nil	750 000	750 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
GR Burger	21 November 2005	Nil	600 000	600 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
	25 June 2007	Nil	150 000	150 000	75% of the matching award is exercisable on 25 June 2010 and 25% on 25 June 2011

Notes:
This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in order to improve 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.

The performance conditions in terms of this plan have been met in respect of the November 2005 awards and the directors will be entitled to 75% of the matching award on 30 June 2009.

Directors' interest in long-term incentive plans as at 31 March 2009

Name	Date of grant	Exercise price	Number of Investec Limited shares 1 April 2008	Number of Investec Limited shares 31 March 2009	Period exercisable
Executive directors					
DM Lawrence	20 June 2005	Nil	150 000	150 000	75% in June 2009 and 25% in June 2010
B Tapnack	20 June 2005	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.

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Directors' Responsibility Statement

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Investec Bank Limited, comprising the balance sheets at 31 March 2009, and 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 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 annual financial statements of Investec Bank Limited, as identified in the first paragraph, were approved by the board of directors on 15 June 2009 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 2009, 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

15 June 2009

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 2009, and 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 101 to 158.

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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 2009, 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 Grist
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2009

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2009

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 2009.

A review of the operations for the year can be found on pages 16 to 24.

Authorised and issued share capital

Details of the share capital are set out in note 34 to the financial statements.

Ordinary dividends

A dividend of R500 000 000 was declared on 23 July 2008 and paid on 24 July 2008,

and

A dividend of R600 000 000 was declared on 1 December 2008 and paid on 3 December 2008.

Preference dividends

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

Preference dividend number 11 for the six months ended 30 September 2008 amounting to 574.32 cents per share was declared on 15 November 2008 to members holding preference shares registered on 28 November 2008 and was paid on 9 December 2008.

Preference dividend number 12 for the six months ended 31 March 2009 amounting to 555.82 cents per share was declared on 20 May 2009 to members holding preference shares registered on 19 June 2009 and will be paid on 2 July 2009.

Directors

Details of the directors are reflected on page 82.

Mr RMW Dunne was appointed to the board as a director on 2 June 2008.

Messrs DM Lawrence, F Titi, MP Malungani, PRS Thomas 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 91 and 94.

Directors' remuneration

Directors' remuneration is disclosed on pages 88 to 94.

Directors' Report

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

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 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 2009.

Auditors

Ernst & Young Inc. and KPMG Inc. have expressed their willingness to continue in office as joint auditors. A resolution to reappoint 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 149 and the associate companies on page 145.

The interest of the company in the aggregate profits after taxation of its subsidiary companies is R188 million (2008: R189 million) and its share in aggregate losses is R21 million (2008: R10 million).

Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

Special resolutions

At the Annual General Meeting of members held on 7 August 2008, 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 financial reporting framework. These policies are set out on pages 109 to 119.

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.

Directors' Report

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.

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 fourth Financial Sector Charter Report to the Financial Sector Charter Council (Charter Council) in March 2009 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 balance sheet 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 2009	 2008	Company 2009	 2008
Interest income		20 861	15 731	19 094	13 139
Interest expense		(16 834)	(12 216)	(15 724)	(10 105)
Net interest income		4 027	3 515	3 370	3 034
Fee and commission income		1 087	1 084	1 031	1 029
Fee and commission expense		(61)	(30)	(39)	(15)
Principal transactions	3	1 560	1 202	1 751	1 138
Operating loss from associates		(1)	(1)	–	–
Other income		2 585	2 255	2 743	2 152
Total operating income before impairment losses on loans and advances		6 612	5 770	6 113	5 186
Impairment losses on loans and advances	18	(756)	(466)	(642)	(314)
Operating income		5 856	5 304	5 471	4 872
Administrative expenses	4	(3 113)	(2 713)	(2 967)	(2 527)
Depreciation, amortisation and impairment of property, equipment and intangibles	23/25	(78)	(69)	(76)	(67)
Operating profit		2 665	2 522	2 428	2 278
Loss on disposal of group operations	26	–	(38)	–	–
Profit before taxation		2 665	2 484	2 428	2 278
Taxation	6	(600)	(686)	(532)	(669)
Profit after taxation		2 065	1 798	1 896	1 609
Earnings attributable to minority interests		(3)	–	–	–
Earnings attributable to shareholders		2 062	1 798	1 896	1 609

Consolidated balance sheets

At 31 March R'million	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Cash and balances at central banks		3 158	2 811	3 135	2 801
Loans and advances to banks		10 063	14 418	8 632	13 863
Cash equivalent advances to customers		5 203	7 782	5 203	7 782
Reverse repurchase agreements and cash collateral on securities borrowed	13	6 914	5 752	6 914	5 752
Trading securities	14	19 938	17 913	20 736	17 819
Derivative financial instruments	15	9 950	9 668	9 850	9 607
Investment securities	16	993	350	991	350
Loans and advances to customers	18	112 155	95 021	104 749	85 800
Securitised assets	19	4 512	6 275	869	1 084
Interest in associated undertakings	20	166	195	–	–
Deferred taxation assets	21	307	285	288	268
Other assets	22	892	1 056	787	905
Property and equipment	23	168	144	165	135
Investment properties	24	5	5	1	1
Intangible assets	25	88	75	84	71
Loans to group companies	27	6 776	5 812	7 651	7 372
Investment in subsidiaries	28	–	–	985	2 320
		181 288	167 562	171 040	155 930
Liabilities					
Deposits by banks		12 159	9 427	11 015	8 379
Derivative financial instruments	15	10 482	10 152	10 462	10 063
Other trading liabilities	29	701	266	701	266
Repurchase agreements and cash collateral on securities lent	13	2 290	1 533	2 281	1 521
Customer accounts		127 139	115 654	123 076	112 497
Debt securities in issue	30	954	2 524	954	2 524
Liabilities arising on securitisation	19	3 186	5 637	869	1 084
Current taxation liabilities	31	849	697	831	681
Deferred taxation liabilities	21	558	323	506	312
Other liabilities	32	3 684	3 679	2 183	1 881
		162 002	149 892	152 878	139 208
Subordinated liabilities (including convertible debt)	33	5 091	4 710	5 091	4 710
		167 093	154 602	157 969	143 918
Equity					
Ordinary share capital	34	22	19	22	19
Share premium	36	9 056	8 277	9 056	8 277
Equity portion of convertible debentures		–	22	–	22
Other reserves		101	911	(12)	786
Retained income		5 011	3 731	4 005	2 908
Shareholders' equity excluding minority interests		14 190	12 960	13 071	12 012
Minority interests	37	5	–	–	–
Total shareholders' equity		14 195	12 960	13 071	12 012
Total liabilities and equity		181 288	167 562	171 040	155 930

Statement of changes in equity

R'million	Ordinary share capital	Share premium account	Compulsorily convertible debentures
Group			
At 1 April 2007			
Movement in reserves 1 April 2007 – 31 March 2008			
Foreign currency adjustments	–	–	–
Profit for the year	–	–	–
Fair value movements on available for sale assets	–	–	–
Total recognised gains and losses for the year	–	–	–
Issue of ordinary shares	3	1 847	–
Buyback of compulsorily convertible debentures	–	207	(207)
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
Transfer from retained earnings to regulatory general risk reserve	–	–	–
At 31 March 2008			
Movement in reserves 1 April 2008 – 31 March 2009			
Profit for the year	–	–	–
Fair value of cash flow hedge	–	–	–
Fair value movements on available for sale assets	–	–	–
Total recognised gains and losses for the year	–	–	–
Issue of ordinary shares	1	499	–
Increase in minorities	–	–	–
Conversion of compulsorily convertible debentures	2	280	(22)
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
Transfer to retained earnings from regulatory general risk reserve	–	–	–
At 31 March 2009			
Company			
At 1 April 2007			
Movement in reserves 1 April 2007 – 31 March 2008			
Profit for the year	–	–	–
Fair value movements on available for sale assets	–	–	–
Total recognised gains and losses for the year	–	–	–
Issue of ordinary shares	3	1 847	–
Buyback of compulsorily convertible debentures	–	207	(207)
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
Transfer from retained earnings to regulatory general risk reserve	–	–	–
At 31 March 2008			
Movement in reserves 1 April 2008 – 31 March 2009			
Profit for the year	–	–	–
Fair value movements on available for sale assets	–	–	–
Total recognised gains and losses for the year	–	–	–
Issue of ordinary shares	1	499	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
Conversion of compulsorily convertible debentures	2	280	(22)
Transfer to retained earnings from regulatory general risk reserve	–	–	–
At 31 March 2009			

Regulatory general risk reserve	Other reserves Available for sale reserve	Cash flow hedge reserve	Foreign currency reserve	Retained income	Shareholders' equity excluding minority interests	Minority interests	Total equity
732	2	–	4	2 850	10 056	–	10 056
–	–	–	1	–	1	–	1
–	–	–	–	1 798	1 798	–	1 798
–	47	–	–	–	47	–	47
–	47	–	1	1 798	1 846	–	1 846
–	–	–	–	–	1 850	–	1 850
–	–	–	–	–	–	–	–
–	–	–	–	(650)	(650)	–	(650)
–	–	–	–	(142)	(142)	–	(142)
125	–	–	–	(125)	–	–	–
857	49	–	5	3 731	12 960	–	12 960
–	–	–	–	2 062	2 062	3	2 065
–	–	2	–	–	2	–	2
–	(67)	–	–	–	(67)	–	(67)
–	(67)	2	–	2 062	1 997	3	2 000
–	–	–	–	–	500	–	500
–	–	–	–	–	–	2	2
–	–	–	–	(260)	–	–	–
–	–	–	–	(1 100)	(1 100)	–	(1 100)
–	–	–	–	(167)	(167)	–	(167)
(745)	–	–	–	745	–	–	–
112	(18)	2	5	5 011	14 190	5	14 195
649	–	–	(1)	2 170	9 286	–	9 286
–	–		–	1 609	1 609	–	1 609
–	59		–	–	59	–	59
–	59	–	–	1 609	1 668	–	1 668
–	–		–	–	1 850	–	1 850
–	–		–	–	–	–	–
–	–		–	(650)	(650)	–	(650)
–	–		–	(142)	(142)	–	(142)
79	–		–	(79)	–	–	–
728	59	–	(1)	2 908	12 012	–	12 012
–	–		–	1 896	1 896	–	1 896
–	(70)		–	–	(70)	–	(70)
–	(70)	–	–	1 896	1 826	–	1 826
–	–		–	–	500	–	500
–	–		–	(1 100)	(1 100)	–	(1 100)
–	–		–	(167)	(167)	–	(167)
–	–		–	(260)	–	–	–
(728)	–		–	728	–	–	–
–	(11)	–	(1)	4 005	13 071	–	13 071

Cash flow statements

For the year to 31 March R'million	Notes	Group 2009	 2008	Company 2009	 2008
Cash flows from operating activities					
Cash generated by operating activities	39	3 562	3 082	3 146	2 683
Taxation paid	39	(235)	(289)	(208)	(240)
Net cash inflow from operating activities		3 327	2 793	2 938	2 443
Cash flows from banking activities					
Increase in operating assets	39	(16 277)	(30 416)	(19 548)	(20 834)
Increase in operating liabilities	39	11 723	27 399	13 326	19 374
Net cash outflow from banking activities		(4 554)	(3 017)	(6 222)	(1 460)
Cash flows from investing activities					
Net investment in fixed assets		(115)	(125)	(119)	(119)
(Increase)/decrease in loan notes to associate		(34)	25	–	–
Net cash outflow from investing activities		(149)	(100)	(119)	(119)
Cash flows from financing activities					
Proceeds on issue of shares		500	1 813	500	1 813
Dividends paid		(1 267)	(792)	(1 267)	(792)
Net inflow on subordinated debt raised		381	1 657	381	1 657
Net decrease/(increase) in subsidiaries and loans to group companies		–	–	1 335	(515)
Net cash (outflow)/inflow from financing activities		(386)	2 678	949	2 163
Net (decrease)/increase in cash and cash equivalents		(1 762)	2 354	(2 454)	3 027
Cash and cash equivalents at beginning of year		10 314	7 960	10 904	7 877
Cash and cash equivalents at end of year		8 552	10 314	8 450	10 904
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		3 158	2 811	3 135	2 801
On demand loans and advances to banks		191	466	112	321
Cash equivalent advances to customers		5 203	7 037	5 203	7 782
Cash and cash equivalents at the end of the year		8 552	10 314	8 450	10 904

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

Accounting policies

Basis of preparation

a) Statement of compliance

The consolidated and company 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.

Accounting policies applied are consistent with those of the prior year except as noted below.

The group has elected to early adopt IFRS 8, Operating Segments as of 1 April 2008. This standard requires disclosure of information about the group's operating segments on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Adoption of this standard did not have any impact on the financial position or performance of the group. The group determined that operating segments were the same as the business segments previously identified under IAS 14, Segment Reporting.

IAS 39, Financial Instruments: Recognition and Measurement was amended in October 2008, effective immediately. Following the amendment, a non-derivative financial asset held for trading may be transferred out of the fair value through profit and loss category in the following circumstances:
- In rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- It is no longer held for the purpose of selling or repurchasing in the near term, it would have met the definition of a loan and receivable at initial recognition and the group has the intention and ability to hold it for the foreseeable future or until maturity.

The initial value of the financial asset that has been reclassified, per the above, is the fair value at the date of reclassification. The group has not applied the initial transitional rules. This change in accounting policy has had no impact on the prior year financial statements.

b) Presentation of information

Disclosure under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the Risk Management Report on pages 28 to 75.

Certain disclosures required under IAS 24, Related Party Disclosures have been included in the section marked as audited in the Remuneration Report on pages 88 to 94.

c) Basis of measurement

The consolidated financial statements have been prepared on the historic 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; and
- 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 currency 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 adjustments, 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 judgments 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 14, trading securities and note 16, investment securities.
- The determination of impairments against assets that are carried at amortised cost and impairment relating to available for sale financial assets involves the assessment of future cash flows which is judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

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, except entities which are classified as non-current assets held for sale. Subsidiaries classified as non-current assets held for sale are consolidated as discontinued operations.

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 segmental reporting is presented in the form of a business analysis.

The business analysis is presented in terms of the group's three principal business divisions 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 greater than the cost of the acquisition, the group reassess 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 (South African Rand) 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 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.

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.

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 the 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 the income statement on disposal of the foreign operation; and
- 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 the income statement;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment; and
- 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, or, 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. Fee and commission income is only recognised when it 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 include 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 at fair value through profit and loss

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

Financial instruments classified as held for trading or designated as 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 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 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 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".

Accounting policies

Available for sale financial assets

Available for sale financial assets are those which are designated as such or do not qualify to be classified as held for trading, 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 and available for sale;
- Equity securities;
- Private equity investments;
- Derivative positions;
- Loans and advances designated as at fair value through profit and loss;
- Loans and advances designated as available for sale; and
- Financial liabilities classified as trading or designated as 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 provision 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 right 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 gains and losses arising on derivatives are recognised in the income statement as part of trading income which forms part of principal transactions (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 included in the initial cost of any asset/liability recognised or in all other cases, released to the income statement when the hedged firm commitment or forecasted transaction affects profit or loss.

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 the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

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 borrowing 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 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/receivable are charged/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.

Accounting policies

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 and prior annual depreciation rates for each class of property and equipment are 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 we hold 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.

Accounting policies

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.

Taxation and deferred taxation

Current taxation payable is provided on taxable profits at rates that are enacted or substantially enacted 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 taxation base, except where such temporary differences arise from:
- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement.
- 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 taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference 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 period beginning on or after 1 July 2009)

The main changes to the standard that affects the group's 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.

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

These amendments will have no impact on the group.

IFRS 7 – Improving disclosures about financial instruments (applicable for reporting periods beginning on or after 1 January 2009)

Whilst the group has adopted several of the improvements in this set of financial statements, a complete transition to the revised standard will be achieved in the 2010 Annual Report. Changes to the standard have no impact on accounting policies and recognition and measurement of financial instruments.

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.

Accounting policies

Improvements to International Financial Reporting Standards 2008 and Improvements to International Financial Reporting Standards 2009

There were numerous updates issued, which are considered by the IASB to be non urgent but important. None of these updates will result in a change to the accounting policies of the group.

The following interpretations have been issued which are deemed to have no impact on the group financial statements but have not been formally adopted by the group:
- IFRS 1 – First-time adoption of International Financial Reporting Standards
- IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IAS 23 – Borrowing Costs
- IAS 39 – Eligible Hedged Items
- IAS 39 and IFRIC 9 – Embedded Derivatives
- IFRIC 15 – Arrangements for the Construction of Real Estate
- IFRIC 16 – Hedges on a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-cash Assets
- IFRIC 18 – Transfers of Assets from Customers

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 2009					
Interest income	19 737	20 486	79	(19 441)	20 861
Interest expense	(18 176)	(19 284)	(17)	20 643	(16 834)
Net interest income	1 561	1 202	62	1 202	4 027
Fee and commission income	456	488	117	26	1 087
Fee and commission expense	(15)	(19)	27	(54)	(61)
Principal transactions	46	561	1 043	(90)	1 560
Operating loss from associates	–	–	–	(1)	(1)
Other income	487	1 030	1 187	(119)	2 585
Total operating income before impairment losses on loans and advances	2 048	2 232	1 249	1 083	6 612
Impairment losses on loans and advances	(256)	(354)	(54)	(92)	(756)
Operating income	1 792	1 878	1 195	991	5 856
Administrative expenses	(1 317)	(1 006)	(429)	(361)	(3 113)
Depreciation, amortisation and impairment of property, equipment and intangibles	(31)	(1)	–	(46)	(78)
Profit before taxation	444	871	766	584	2 665
Cost to income ratio	65.8%	45.1%	34.3%	37.6%	48.3%
Total assets (excluding intergroup)	77 853	89 212	3 529	3 918	174 512

Business analysis 2008

	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
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 associates	–	–	–	(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 intangibles	(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

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 2009

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
Interest income	19 280	18 832	79	(19 097)	19 094
Interest expense	(17 797)	(17 905)	(10)	19 988	(15 724)
Net interest income	1 483	927	69	891	3 370
Fee and commission income	430	482	117	2	1 031
Fee and commission expense	(14)	(18)	27	(34)	(39)
Principal transactions	46	614	1 037	54	1 751
Other income	462	1 078	1 181	22	2 743
Total operating income before impairment losses on loans and advances	1 945	2 005	1 250	913	6 113
Impairment losses on loans and advances	(245)	(337)	(54)	(6)	(642)
Operating income	1 700	1 668	1 196	907	5 471
Administrative expenses	(1 282)	(966)	(429)	(290)	(2 967)
Depreciation, amortisation and impairment of property, equipment and intangibles	(31)	(1)	–	(44)	(76)
Profit before taxation	387	701	767	573	2 428
Cost to income ratio	67.5%	48.2%	34.3%	36.6%	49.8%
Total assets (excluding intergroup)	74 967	81 303	3 465	3 654	163 389

Business analysis 2008

	Private Client Activities	Capital Markets	Investment Banking	Group Services and Other Activities	Total
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 intangibles	(22)	(2)	–	(43)	(67)
Profit before taxation	769	834	258	417	2 278
Cost to income ratio	57.6%	45.9%	43.8%	42.2%	50.0%
Total assets (excluding intergroup)	65 470	76 389	1 813	4 886	148 558

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
2. Segmental analysis (continued)				
A further analysis of business line operating profit before non-operating items and taxation are shown below:				
Private Client Activities				
Private Banking	444	817	387	769
Capital Markets	871	931	701	834
Investment Banking				
Corporate Finance	80	106	80	106
Principal Investments	686	219	687	152
	766	325	767	258
Group Services and Other Activities				
International Trade Finance	62	58	–	–
Central Funding	893	761	919	777
Central Costs	(371)	(370)	(346)	(360)
	584	449	573	417
	2 665	2 522	2 428	2 278
No geographical analysis has been presented as Investec Bank Limited only operates in one geographical segment, namely Southern Africa.				
3. Principal transactions				
Principal transaction income includes:				
Gross trading income	1 417	1 665	1 325	1 687
Funding cost set-off against trading income	(602)	(606)	(602)	(606)
Net trading income	815	1 059	723	1 081
Net gain/(loss) from financial instruments designated at fair value through profit and loss	122	(27)	404	(160)
Gain on realisation of available for sale financial instruments	66	–	66	–
Dividend income	559	170	563	217
Other	(2)	–	(5)	–
	1 560	1 202	1 751	1 138
Net gain/(loss) from financial instruments designated as at fair value through profit and loss includes:				
Fair value movement of designated equity positions	698	487	720	384
Fair value movement of designated loans and receivables, net of associated derivative instruments	152	(689)	138	(734)
Fair value movement of designated securities	(276)	(5)	(1)	–
Fair value movement of designated liabilities	(452)	180	(453)	190
	122	(27)	404	(160)

Notes to the financial statements

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
4. Administrative expenses				
Staff costs	2 116	1 917	2 020	1 834
– Salaries and wages (including directors' remuneration)*	1 821	1 666	1 733	1 589
– Share based payments expense	202	170	196	166
– Social security costs	13	11	13	10
– Pensions and provident fund contributions	80	70	78	69
Premises expenses (excluding depreciation)	246	198	237	191
Equipment expenses (excluding depreciation)	256	197	246	180
Business expenses	330	293	303	219
Marketing expenses	165	108	161	103
	3 113	2 713	2 967	2 527
The following amounts were paid to the auditors:				
Audit fees	37	35	34	33
Other services	1	–	1	–
	38	35	35	33
Audit fees by audit firm:				
Ernst & Young	21	19	19	18
KPMG Inc	17	16	16	15
	38	35	35	33
Minimum operating lease payments recognised in administrative expenses	241	208	241	208

* Details of the directors' emoluments, pensions and their interests are disclosed in the Remuneration Report on pages 88 to 94.

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
5. Share based payments				
The group operates share option and share purchase schemes for employees, which are on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the Remuneration Report. Share options granted to employees are the shares of the holding company, Investec Limited.				
Expense charged to the income statement				
Equity settled	202	170	196	166
Fair value of options granted in the year	96	301	89	290

Notes to the financial statements

Details of options outstanding during the year	Group				Company			
	2009		2008		2009		2008	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
5. Share based payments (continued)								
Outstanding at the beginning of the year	21 159 846	6.53	22 747 348	14.18	20 488 140	6.58	22 185 153	14.25
Granted during the year	3 798 850	–	5 584 600	–	3 507 420	–	5 365 850	–
Exercised during the year*	(1 116 476)	26.83	(5 590 947)	30.83	(1 086 856)	26.89	(5 489 343)	30.83
Expired during the year	(2 075 683)	13.88	(1 581 155)	7.57	(2 091 608)	14.04	(1 573 520)	7.57
Outstanding at the end of the year	21 766 537	3.11	21 159 846	6.53	20 817 096	3.13	20 488 140	6.58
Exercisable at the end of the year	1 958 528	38.96	1 958 528	38.96	1 078 404	36.27	1 915 403	38.96

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

At 31 March	Group and company	
	2009	2008
The exercise price range and weighted average remaining contractual life for the options were as follows:		
Options with strike prices		
Exercise price range	R20.28 – R57.60	R20.28 – R57.60
Weighted average remaining contractual life	1.80 years	2.33 years
Long-term incentive grants with no strike prices		
Exercise price range	Rnil	Rnil
Weighted average remaining contractual life	2.69 years	3.34 years
The fair values of options granted where 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	R45 – R47	R71 – R92
– Exercise price	Rnil	Rnil
– Expected volatility	34% – 45%	30%
– Option life	5 years	5 years
– Expected dividend yields	9.55%	4.30% – 6%
– Risk-free rate	7.71% – 11.96%	9.55% – 10.20%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last 6 months, but also includes an element of forward expectation.

Notes to the financial statements

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
6. Taxation				
South Africa	594	678	532	669
– Current taxation	381	671	358	627
– Deferred taxation	213	7	174	42
Foreign taxation	6	8	–	–
– Mauritius	6	8	–	–
Total taxation charge for the year	600	686	532	669
Tax rate reconciliation				
Profit before taxation	2 665	2 484	2 428	2 278
Total taxation charge	600	686	532	669
Effective rate of taxation	22.5%	27.6%	21.9%	29.4%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	6.1%	2.0%	6.7%	2.8%
– Foreign earnings*	0.5%	1.8%	–	–
– Other permanent differences	(1.1%)	(2.4%)	(0.6%)	(3.2%)
	28.0%	29.0%	28.0%	29.0%

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

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
7. Dividends				
Ordinary dividend				
Final dividend in previous year	500	–	500	–
Interim dividend for current year	600	650	600	650
Total dividend attributable to ordinary shareholders recognised in current financial year	1 100	650	1 100	650

Perpetual preference dividend

	Group				Company			
	2009		2008		2009		2008	
	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	537.23	80	459.04	69	537.23	80	459.04	69
Interim dividend for current year	574.32	87	486.98	73	574.32	87	486.98	73
Total dividend attributable to perpetual preference shareholders recognised in current financial year	1 111.55	167	946.02	142	1 111.55	167	946.02	142

The directors have declared a final dividend in respect of the financial year ended 31 March 2009 of 555.82 cents (2008: 537.23 cents) per perpetual preference share.

The final dividend on perpetual preference shares will be payable on 2 July 2009 to shareholders on the register at the close of business on 19 June 2009.

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
8. Headline earnings				
Calculation of headline earnings				
Earnings attributable to shareholders	2 062	1 798	1 896	1 609
Preference dividends paid	(167)	(142)	(167)	(142)
Earnings attributable to ordinary shareholders	1 895	1 656	1 729	1 467
Headline adjustments, net of taxation*	6	38	(56)	–
Gain on realisation of available for sale financial assets	(56)	–	(56)	–
Impairment of associate	62	–	–	–
Loss on disposal of group operations	–	38	–	–
Headline earnings attributable to ordinary shareholders	1 901	1 694	1 673	1 467

* Taxation effect on headline adjustments was R10 million (2008: Rnil), with no impact to earnings attributable to minorities

9. Analysis of income and expenses by category of financial instrument

At 31 March R'million	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity	Loans and receivables
Group				
2009				
Net interest income	847	3 266	28	15 468
Fee and commission income	330	3	–	439
Fee and commission expense	–	(3)	–	(19)
Principal transactions	1 757	331	–	–
Operating income from associates	–	–	–	–
Total operating income before impairment losses on loans and advances	2 934	3 597	28	15 888
Impairment losses on loans and advances	–	–	–	(756)
Operating income				
2008				
Net interest income	(48)	474	21	15 236
Fee and commission income	163	7	–	329
Fee and commission expense	(3)	–	–	(14)
Principal transactions	1 665	143	–	–
Operating income from associates	–	–	–	–
Total operating income before impairment losses on loans and advances	1 777	624	21	15 551
Impairment losses on loans and advances	–	–	–	(466)
Operating income				
Company				
2009				
Net interest income	830	3 185	10	13 635
Fee and commission income	330	3	–	404
Fee and commission expense	–	6	–	1
Principal transactions	1 667	613	–	–
Total operating income before impairment losses on loans and advances	2 827	3 807	10	14 040
Impairment losses on loans and advances	–	–	–	(642)
Operating income				
2008				
Net interest income	(61)	388	–	12 751
Fee and commission income	167	7	–	289
Fee and commission expense	(3)	–	–	1
Principal transactions	1 687	8	–	–
Total operating income before impairment losses on loans and advances	1 790	403	–	13 041
Impairment losses on loans and advances	–	–	–	(314)
Operating income				

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income/ (expense)	Total
–	(15 582)	–	–	4 027
–	–	–	315	1 087
–	–	–	(39)	(61)
66	(602)	–	8	1 560
–	–	(1)	–	(1)
66	(16 184)	(1)	284	6 612
–	–	–	–	(756)
66	(16 184)	(1)	284	5 856
–	(12 168)	–	–	3 515
–	–	–	585	1 084
–	(4)	–	(9)	(30)
–	(606)	–	–	1 202
–	–	(1)	–	(1)
–	(12 778)	(1)	576	5 770
–	–	–	–	(466)
–	(12 778)	(1)	576	5 304
–	(14 290)	–	–	3 370
–	–	–	294	1 031
–	–	–	(46)	(39)
66	(602)	4	3	1 751
66	(14 892)	4	251	6 113
–	–	–	–	(642)
66	(14 892)	4	251	5 471
–	(10 044)	–	–	3 034
–	–	–	566	1 029
–	(4)	–	(9)	(15)
–	(606)	49	–	1 138
–	(10 654)	49	557	5 186
–	–	–	–	(314)
–	(10 654)	49	557	4 872

At 31 March 2009 R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
10. Analysis of financial assets and liabilities by measurement basis				
Group				
Assets				
Cash and balances at central banks	–	–	–	
Loans and advances to banks	–	474	–	
Cash equivalent advances to customers	–	–	–	
Reverse repurchase agreements and cash collateral on securities borrowed	2 620	–	–	
Trading securities	8 304	11 634	–	
Derivative financial instruments*	9 950	–	–	
Investment securities	–	7	20	
Loans and advances to customers	–	14 478	–	
Securitised assets	–	1 514	–	
Interest in associated undertakings	–	–	–	
Deferred taxation assets	–	–	–	
Other assets	157	–	–	
Property, plant and equipment	–	–	–	
Investment properties	–	–	–	
Intangible assets	–	–	–	
Loans to group companies	–	–	–	
Liabilities				
Deposits by banks	–	–	–	
Derivative financial instruments*	10 482	–	–	
Other trading liabilities	701	–	–	
Repurchase agreements and cash collateral on securities lent	2 281	–	–	
Customer accounts	38	13 626	–	
Debt securities in issue	–	–	–	
Liabilities arising on securitisation	–	1 514	–	
Current taxation liabilities	–	–	–	
Deferred taxation liabilities	–	–	–	
Other liabilities	213	–	–	
Subordinated liabilities (including convertible debt)	–	–	–	

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total carrying value
–	3 158	–	3 158	–	3 158
–	9 589	–	9 589	–	10 063
–	5 203	–	5 203	–	5 203
–	4 294	–	4 294	–	6 914
–	–	–	–	–	19 938
–	–	–	–	–	9 950
966	–	–	966	–	993
208	97 469	–	97 677	–	112 155
–	2 998	–	2 998	–	4 512
–	–	–	–	166	166
–	–	–	–	307	307
–	531	–	531	204	892
–	–	–	–	168	168
–	–	–	–	5	5
–	–	–	–	88	88
–	6 776	–	6 776	–	6 776
1 174	130 018	–	131 192	938	181 288
–	–	12 159	12 159	–	12 159
–	–	–	–	–	10 482
–	–	–	–	–	701
–	–	9	9	–	2 290
–	–	113 475	113 475	–	127 139
–	–	954	954	–	954
–	–	1 672	1 672	–	3 186
–	–	–	–	849	849
–	–	–	–	558	558
–	–	2 549	2 549	922	3 684
–	–	5 091	5 091	–	5 091
–	–	135 909	135 909	2 329	167 093

Notes to the financial statements

At 31 March 2008 R'million	At fair value through profit and loss Trading	At fair value through profit and loss Designated at inception	Available for sale	Total instruments at fair value
10. Analysis of financial assets and liabilities by measurement basis (continued)				
Group				
Assets				
Cash and balances at central banks	–	–	–	
Loans and advances to banks	–	–	–	
Cash equivalent advances to customers	–	–	–	
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	–	–	
Trading securities	8 335	9 578	–	
Derivative financial instruments*	9 668	–	–	
Investment securities	–	–	70	
Loans and advances to customers	–	14 423	–	
Securitised assets	–	1 624	–	
Interest in associated undertakings	–	–	–	
Deferred taxation assets	–	–	–	
Other assets	–	–	–	
Property, plant and equipment	–	–	–	
Investment properties	–	–	–	
Intangible assets	–	–	–	
Loans to group companies	–	–	–	
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)	–	–		

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total carrying value
–	2 811	–	2 811	–	2 811
–	14 418	–	14 418	–	14 418
–	7 782	–	7 782	–	7 782
–	3 931	–	3 931	–	5 752
–	–	–	–	–	17 913
–	–	–	–	–	9 668
–	280	–	280	–	350
287	80 311	–	80 598	–	95 021
–	4 651	–	4 651	–	6 275
–	–	–	–	195	195
–	–	–	–	285	285
–	884	–	884	172	1 056
–	–	–	–	144	144
–	–	–	–	5	5
–	–	–	–	75	75
–	5 812	–	5 812	–	5 812
287	120 880	–	121 167	876	167 562
–	–	9 427	9 427	–	9 427
–	–	–	–	–	10 152
–	–	–	–	–	266
–	–	36	36	–	1 533
–	–	99 639	99 639	–	115 654
–	–	2 524	2 524	–	2 524
–	–	2 540	2 540	–	5 637
–	–	–	–	697	697
–	–	–	–	323	323
–	–	2 089	2 089	1 590	3 679
–	–	4 710	4 710	–	4 710
–	–	120 965	120 965	2 610	154 602

Notes to the financial statements

At 31 March 2009 R'million	At fair value through profit and loss		Available for sale	Total instruments at fair value
	Trading	Designated at inception		
10. Analysis of financial assets and liabilities by measurement basis (continued)				
Company				
Assets				
Cash and balances at central banks	–	–	–	
Loans and advances to banks	–	474	–	
Cash equivalent advances to customers	–	–	–	
Reverse repurchase agreements and cash collateral on securities borrowed	2 620	–	–	
Trading securities	8 304	12 432	–	
Derivative financial instruments*	9 850	–	–	
Investment securities	–	5	20	
Loans and advances to customers	–	14 478	–	
Securitised assets	–	–	–	
Deferred taxation assets	–	–	–	
Other assets	157	–	–	
Property, plant and equipment	–	–	–	
Investment properties	–	–	–	
Intangible assets	–	–	–	
Loans to group companies	–	–	–	
Investment in subsidiaries	–	–	–	
Liabilities				
Deposits by banks	–	–	–	
Derivative financial instruments*	10 462	–	–	
Other trading liabilities	701	–	–	
Repurchase agreements and cash collateral on securities lent	2 281	–	–	
Customer accounts	38	13 626	–	
Debt securities in issue	–	–	–	
Liabilities arising on securitisation	–	–	–	
Current taxation liabilities	–	–	–	
Deferred taxation liabilities	–	–	–	
Other liabilities	213	–	–	
Subordinated liabilities (including convertible debt)	–	–	–	

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total carrying value
–	3 135	–	3 135	–	3 135
–	8 158	–	8 158	–	8 632
–	5 203	–	5 203	–	5 203
–	4 294	–	4 294	–	6 914
–	–	–	–	–	20 736
–	–	–	–	–	9 850
966	–	–	966	–	991
–	90 271	–	90 271	–	104 749
–	869	–	869	–	869
–	–	–	–	288	288
–	468	–	468	162	787
–	–	–	–	165	165
–	–	–	–	1	1
–	–	–	–	84	84
–	7 651	–	7 651	–	7 651
–	–	–	–	985	985
966	120 049	–	121 015	1 685	171 040
–	–	11 015	11 015	–	11 015
–	–	–	–	–	10 462
–	–	–	–	–	701
–	–	–	–	–	2 281
–	–	109 412	109 412	–	123 076
–	–	954	954	–	954
–	–	869	869	–	869
–	–	–	–	831	831
–	–	–	–	506	506
–	–	1 092	1 092	878	2 183
–	–	5 091	5 091	–	5 091
–	–	128 433	128 433	2 215	157 969

At 31 March 2008 R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
10. Analysis of financial assets and liabilities by measurement basis (continued)				
Company				
Assets				
Cash and balances at central banks	–	–	–	
Loans and advances to banks	–	–	–	
Cash equivalent advances to customers	–	–	–	
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	–	–	
Trading securities	8 326	9 493	–	
Derivative financial instruments*	9 607	–	–	
Investment securities	–	–	69	
Loans and advances to customers	–	14 423	–	
Securitised assets	–	–	–	
Deferred taxation assets	–	–	–	
Other assets	–	–	–	
Property, plant and equipment	–	–	–	
Investment properties	–	–	–	
Intangible assets	–	–	–	
Loans to group companies	–	–	–	
Investment in subsidiaries	–	–	–	
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)	–	–	–	

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total carrying value
–	2 801	–	2 801	–	2 801
–	13 863	–	13 863	–	13 863
–	7 782	–	7 782	–	7 782
–	3 931	–	3 931	–	5 752
–	–	–	–	–	17 819
–	–	–	–	–	9 607
–	281	–	281	–	350
–	71 377	–	71 377	–	85 800
–	1 084	–	1 084	–	1 084
–	–	–	–	268	268
–	747	–	747	158	905
–	–	–	–	135	135
–	–	–	–	1	1
–	–	–	–	71	71
–	7 372	–	7 372	–	7 372
–	–	–	–	2 320	2 320
–	109 238	–	109 238	2 953	155 930
–	–	8 379	8 379	–	8 379
–	–	–	–	–	10 063
–	–	–	–	–	266
–	–	36	36	–	1 521
–	–	96 482	96 482	–	112 497
–	–	2 524	2 524	–	2 524
–	–	1 084	1 084	–	1 084
–	–	–	–	681	681
–	–	–	–	312	312
–	–	329	329	1 552	1 881
–	–	4 710	4 710	–	4 710
–	–	113 544	113 544	2 545	143 918

11. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table below provides details of the bases used for determining the 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 as this is an asset carried at fair value with fair value adjustments recognised in the income statement.

At 31 March 2009 R'million	Total instruments at fair value per note 10	Valuation technique applied Level 1	Level 2	Level 3
Group				
Assets				
Loans and advances to banks	474	–	474	–
Reverse repurchase agreements and cash collateral on securities borrowed	2 620	2 350	270	–
Trading securities	19 938	9 150	10 483	305
Derivative financial instruments	9 950	315	9 597	38
Investment securities	27	7	20	–
Loans and advances to customers	14 478	–	14 478	–
Securitised Assets	1 514	1 514	–	–
Other assets	157	157	–	–
Investment properties	5	–	5	–
	49 163	13 492	35 328	343
Liabilities				
Derivative financial instruments	10 482	4	10 478	–
Other trading liabilities	701	701	–	–
Repurchase agreements and cash collateral on securities lent	2 281	2 281	–	–
Customer accounts	13 664	–	13 664	–
Liabilities arising on securitisation	1 514	1 514	–	–
Other liabilities	213	75	138	–
	28 855	4 575	24 280	–
Company				
Assets				
Loans and advances to banks	474	–	474	–
Reverse repurchase agreements and cash collateral on securities borrowed	2 620	2 351	269	–
Trading securities	20 736	10 380	10 131	225
Derivative financial instruments	9 850	294	9 518	38
Investment securities	25	5	20	–
Loans and advances to customers	14 478	–	14 478	–
Other assets	157	157	–	–
	48 340	13 187	34 890	263
Liabilities				
Derivative financial instruments	10 462	–	10 462	–
Other trading liabilities	701	701	–	–
Repurchase agreements and cash collateral on securities lent	2 281	2 281	–	–
Customer accounts	13 664	–	13 664	–
Other liabilities	213	75	138	–
	27 321	3 057	24 264	–

At 31 March 2008 R'million	Total instruments at fair value per note 10	Valuation technique applied Level 1	Level 2	Level 3
11. Fair value hierarchy (continued)				
Group				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	1 821	–	–
Trading securities	17 913	15 198	2 715	–
Derivative financial instruments	9 668	–	9 415	253
Investment securities	70	70	–	–
Loans and advances to customers	14 423	–	14 423	–
Securitised assets	1 624	–	1 624	–
Investment properties	5	–	5	–
	45 524	17 089	28 182	253
Liabilities				
Derivative financial instruments	10 152	–	10 152	–
Other trading liabilities	266	266	–	–
Repurchase agreements and cash collateral on securities lent	1 497	1 497	–	–
Customer accounts	16 015	–	16 015	–
Liabilities arising on securitisation	3 097	–	3 097	–
	31 027	1 763	29 264	–
Company				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	1 821	1 821	–	–
Trading securities	17 819	15 109	2 710	–
Derivative financial instruments	9 607	–	9 406	201
Investment securities	69	69	–	–
Loans and advances to customers	14 423	–	14 423	–
Investment properties	1	–	1	–
	43 740	16 999	26 540	201
Liabilities				
Derivative financial instruments	10 063	–	10 063	–
Other trading liabilities	266	266	–	–
Repurchase agreements and cash collateral on securities lent	1 485	1 485	–	–
Customer accounts	16 015	–	16 015	–
	27 829	1 751	26 078	–

At 31 March R'million	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
12. Fair value of financial assets and liabilities held at amortised cost				
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	9 589	9 589	14 418	14 422
Investment securities	966	1 217	280	280
Loans and advances to customers	97 677	97 720	80 598	80 598
Financial liabilities				
Deposits by banks	12 159	12 161	9 427	9 428
Customer accounts	113 475	112 410	115 654	115 454
Debt securities in issue	954	955	2 524	2 520
Subordinated liabilities (including convertible debt)	5 091	5 348	4 710	4 886
Company				
Financial assets				
Loans and advances to banks	8 158	8 158	13 863	13 867
Investment securities	966	1 217	281	281
Loans and advances to customers	90 271	90 286	71 377	71 377
Financial liabilities				
Deposits by banks	11 015	11 017	8 379	8 380
Customer accounts	109 412	108 395	112 497	112 326
Debt securities in issue	954	955	2 524	2 520
Subordinated liabilities (including convertible debt)	5 091	5 348	4 710	4 886

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.

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 yield curve appropriate for the remaining term to maturity.

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
13. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	6 442	1 821	6 442	1 821
Cash collateral on securities borrowed	472	3 931	472	3 931
	6 914	5 752	6 914	5 752
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the securities accepted under these terms as at 31 March 2009 amounts to R6.4 billion (2008: R1.8 billion).				
Liabilities				
Repurchase agreements	2 289	1 497	2 280	1 485
Cash collateral on securities lent	1	36	1	36
	2 290	1 533	2 281	1 521

At 31 March R'million	Group 2009 Fair value	Group 2009 Cumulative unrealised gains/ (losses)	Group 2008 Fair value	Group 2008 Cumulative unrealised gains/ (losses)	Company 2009 Fair value	Company 2009 Cumulative unrealised gains/ (losses)	Company 2008 Fair value	Company 2008 Cumulative unrealised gains/ (losses)
14. Trading securities								
Listed equities	612	50	599	61	553	42	510	119
Unlisted equities	3 421	2 224	2 077	1 410	3 240	2 249	1 917	1 407
Promissory notes	7 548	159	194	7	7 548	159	793	7
Liquid asset bills	6 123	(143)	2 321	23	6 123	(143)	2 321	23
Debentures	1 011	11	12 235	99	1 011	11	11 791	161
Bonds	1 223	(127)	487	17	2 261	(59)	487	17
	19 938	2 174	17 913	1 617	20 736	2 259	17 819	1 734

15. 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 table 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.

At 31 March R'million	Group					
	Notional principal amounts 2009	Positive fair value 2009	Negative fair value 2009	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008
Foreign exchange derivatives						
Forward foreign exchange				12 160	208	969
Currency swaps				76 656	3 485	3 113
OTC options				5 293	93	31
Other foreign exchange contracts				–	2	4
OTC derivatives				94 109	3 788	4 117
Exchange traded futures				1 169	–	–
Interest rate derivatives						
Caps and floors				11 799	31	58
Swaps				244 241	4 410	4 740
Forward rate agreements				527 712	707	662
OTC options				9 370	10	1
Other interest rate contracts				–	–	–
OTC derivatives				793 122	5 158	5 461
Exchange traded futures				–	–	–
Equity and stock index derivatives						
OTC options				7 636	469	542
OTC derivatives				7 636	469	542
Exchange traded futures				2 698	–	–
Exchange traded options				986	–	–
Commodity derivatives						
OTC options				225	–	2
Commodity swaps and forwards				31	–	30
OTC derivatives				256	–	32
Credit derivatives						
Credit swaps bought and sold				195	1	–
Credit linked notes bought and sold				–	–	–
Embedded derivatives						
Derivatives per balance sheet						

Company					
Notional principal amounts 2009	Positive fair value 2009	Negative fair value 2009	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008
7 590	220	309	12 160	208	945
86 248	240	612	76 589	3 478	3 108
4 819	89	206	5 293	93	31
3 966	34	30	–	–	–
102 623	583	1 157	94 042	3 779	4 084
3 765	12	–	1 169	–	–
106 388	595	1 157	95 211	3 779	4 084
9 289	–	40	11 799	31	58
282 272	4 802	4 721	244 241	4 410	4 740
569 654	1 247	1 149	527 712	707	662
11 011	166	166	9 370	10	1
1 298	127	158	–	–	–
873 524	6 342	6 234	793 122	5 158	5 461
–	–	–	–	–	–
873 524	6 342	6 234	793 122	5 158	5 461
125	74	860	7 636	469	486
125	74	860	7 636	469	486
–	–	–	2 698	–	–
–	6	–	986	–	–
125	80	860	11 320	469	486
5 668	2 028	2 038	225	–	2
1 939	531	173	31	–	30
7 607	2 559	2 211	256	–	32
7 607	2 559	2 211	256	–	32
–	–	–	195	1	–
278	105	–	–	–	–
278	105	–	195	1	–
	169	–		200	–
	9 850	10 462		9 607	10 063

Notes to the financial statements

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
16. Investment securities				
Listed equities	7	–	5	–
Unlisted equities	20	70	20	70
Bonds	966	280	966	280
	993	350	991	350

At 31 March R'million	Carrying value	Fair value adjustment credit risk Year to date	 Cumulative	Maximum exposure to
17. Designated at fair value: loans and receivables and financial liabilities				
Loans and receivables				
2009				
Loans and advances to banks	474	25	87	474
Loans and advances to customers	14 478	686	722	14 478
	14 952	711	809	14 952
2008				
Loans and advances to customers	14 423	698	2 070	14 423
	14 423	698	2 070	14 423

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	 Cumulative
Financial liabilities				
2009				
Customer accounts	13 626	14 028	(452)	(402)
Liabilities arising on securitisation	1 514	1 514	–	–
	15 140	15 542	(452)	(402)
2008				
Customer accounts	15 988	16 041	(192)	(53)
	15 988	16 041	(192)	(53)

Changes in fair value attributable to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in market inputs.

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
18. Loans and advances to customers				
Loans and advances to customers	112 155	95 021	104 749	85 800
Specific and portfolio impairments included in above	1 078	437	927	367
Gross loans and advances to customers	113 233	95 458	105 676	86 167
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities	(1 089)	(448)	(1 215)	448
Add: own originated securitised assets (refer to note 19)	1 406	2 151	873	1 084
Gross core loans and advances to customers	113 550	97 161	105 334	87 699
For further analysis on gross core loans and advances, refer to pages 45 to 52 in the risk management section.				
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	365	236	335	210
Charge to the income statement	696	455	619	307
Acquired	–	2	–	146
Utilised	(76)	(382)	(74)	(377)
Exchange adjustment	6	54	4	49
Balance at end of year	991	365	884	335
Portfolio impairment				
Balance at beginning of year	72	73	32	37
Charge to the income statement	14	11	10	7
Utilised	–	(12)	–	(12)
Exchange adjustment	1	–	1	–
Balance at end of year	87	72	43	32
Reconciliation of income statement charge:				
Loans and advances	710	466	629	314
Specific impairment charged to income statement	696	455	619	307
Portfolio impairment charged to income statement	14	11	10	7
Securitised assets (refer to note 19)	24	–	4	–
Specific impairment charged to income statement	23	–	4	–
Portfolio impairment charged to income statement	1	–	–	–
Bad debts written off directly to the income statement	22	–	9	–
Total income statement charge	756	466	642	314

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
19. Securitised assets and liabilities arising on securitisation				
Securitised assets are made up of the following categories of assets:				
Loans and advances to banks	56	93	–	–
Trading securities	1 514	1 624	–	–
Loans and advances to customers	2 962	4 558	873	1 084
	4 532	6 275	873	1 084
Impairment of loans and advances to customers	(20)	–	(4)	–
Total securitised assets	4 512	6 275	869	1 084
Analysis of securitised assets by risk exposure				
Gross core loans and advances to customers	1 406	2 151	873	1 084
Securitisation exposures arising from securitisation/principal finance activities	126	–	–	–
Total credit and counterparty exposure	1 532	2 151	873	1 084
Loans and advances to customers with no credit exposure	2 980	4 124	(4)	–
Gross loans and advances to which the group is deemed to have no legal credit exposure	3 000	4 124	–	–
Impairment of loans and advances to customers deemed to have no credit exposure	(20)	–	(4)	–
Total securitised assets	4 512	6 275	869	1 084
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	–	–	–	–
Charge to the income statement	23	–	4	–
Utilised	(4)	–	–	–
Balance at end of year	19	–	4	–
Portfolio impairment				
Balance at beginning of year	–	–	–	–
Charge to the income statement	1	–	–	–
Balance at end of year	1	–	–	–
The associated liabilities are recorded on balance sheet in "liabilities arising on securitisation".				
Carrying value at year end	3 186	5 637	869	1 084

Investec Bank Limited legally disposed of loans and advances to customers to the value of R869 million (2008: R1 084 million) but the company continues to hold the majority of credit risk. Due to the credit risk retained by the company, the assets disclosed above continue to be recognised on balance sheet.

Securitised liabilities

Securitised liabilities include bonds, medium term notes repayable and commercial paper.

Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

R3.66 billion
Final legal maturity of 23 June 2009

R25.675 million
Final legal maturity of 10 January 2018

R43.165 million
Final legal maturity of 10 March 2045

At 31 March R'million	Group 2009	Group 2008
20. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	166	195
Investment in associated undertaking	166	195
Analysis of the movement in our share of net assets:		
At beginning of year	195	221
Impairment	(62)	–
Repayment of loan notes	–	(25)
Loan to associate	34	–
Operating loss from associate	(1)	(1)
Share of net asset value at end of year	166	195
Associated undertakings:		
Unlisted		
– Global Ethanol Holdings Limited	132	195
– Dolphin Coast Marina Estate Limited	34	–
	166	195
The group holds 23.9% in Global Ethanol Holdings Limited.		
The group holds 40% in Dolphin Coast Marina Estate Limited. During the year, the group extended a loan to the associate as part of its investment of R34 million.		
Summarised assets and liabilities		
Global Ethanol Holdings Limited		
Total assets	2 407	2 761
Total liabilities	1 861	1 880
Dolphin Coast Marina Estate Limited		
Total assets	75	n/a
Total liabilities	85	n/a

The results of Dolphin Coast Marina Estate Limited are based on unaudited management accounts at 31 March 2009.

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
21. Deferred taxation				
Deferred taxation asset				
Income and expenditure accruals	307	285	288	268
	307	285	288	268
Deferred taxation liability				
Unrealised fair value adjustments on financial instruments	553	320	506	312
Other temporary differences	5	3	–	–
	558	323	506	312
Net deferred taxation liability	(251)	(38)	(218)	(44)
Reconciliation of net deferred taxation (liability)/asset:				
Opening balance	(38)	(21)	(44)	9
Charge to the income statement	(213)	(7)	(174)	(42)
Charged directly to equity	–	(10)	–	(11)
Closing balance	(251)	(38)	(218)	(44)

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

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
22. Other assets				
Settlement debtors	71	75	68	75
Accruals and prepayments	227	239	213	225
Other debtors	594	742	506	605
	892	1 056	787	905

At 31 March R'million	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
23. Property and equipment					
Group					
2009					
Cost					
At beginning of year	5	19	122	224	370
Additions	–	–	6	60	66
Disposals	(5)	–	(8)	(13)	(26)
At end of year	–	19	120	271	410
Accumulated depreciation and impairment					
At beginning of year	–	(5)	(70)	(151)	(226)
Disposals	–	–	3	18	21
Depreciation	–	(4)	(5)	(28)	(37)
At end of year	–	(9)	(72)	(161)	(242)
Net carrying value	–	10	48	110	168
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	–	(3)	(5)	(25)	(33)
At end of year	–	(5)	(70)	(151)	(226)
Net carrying value	5	14	52	73	144

Notes to the financial statements

At 31 March R'million	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
23. Property and equipment (continued)				
Company				
2009				
Cost				
At beginning of year	19	116	221	356
Additions	–	4	67	71
Disposals	–	(7)	(12)	(19)
At end of year	19	113	276	408
Accumulated depreciation and impairment				
At beginning of year	(5)	(66)	(150)	(221)
Disposals	–	4	11	15
Depreciation	(4)	(5)	(28)	(37)
At end of year	(9)	(67)	(167)	(243)
Net carrying value	10	46	109	165
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	(3)	(3)	(25)	(31)
At end of year	(5)	(66)	(150)	(221)
Net carrying value	14	50	71	135

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
24. Investment properties				
Fair value				
At beginning of year	5	3	1	1
Additions	–	2	–	–
At end of year	5	5	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.

Investment properties are carried at fair value.

No investment properties are occupied by group entities.

At 31 March R'million	Group Acquired software	Group Internally generated software	Group Total	Company Acquired software	Company Internally generated software	Company Total
25. Intangible assets						
2009						
Cost						
At beginning of year	158	56	214	153	55	208
Additions	56	7	63	52	6	58
Disposals	(8)	(12)	(20)	(1)	(12)	(13)
At end of year	206	51	257	204	49	253
Accumulated amortisation and impairment						
At beginning of year	(108)	(31)	(139)	(106)	(31)	(137)
Disposals	4	7	11	1	7	8
Amortisation	(33)	(8)	(41)	(32)	(8)	(40)
At end of year	(137)	(32)	(169)	(137)	(32)	(169)
Net carrying value	69	19	88	67	17	84
2008						
Cost or valuation						
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	(30)	(6)	(36)	(30)	(6)	(36)
At end of year	(108)	(31)	(139)	(106)	(31)	(137)
Net carrying value	50	25	75	47	24	71

26. Disposal of subsidiary

2009

There were no acquisitions or disposals of group companies in the current year.

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 2008, the first loss positions were disposed of to Investec Employee Benefits Limited. The group was therefore no longer required to consolidate these vehicles.

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

	R'million
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

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
27. Loans to group companies				
Loans from holding company – Investec Limited	(129)	(132)	(129)	(132)
Loans to fellow subsidiaries	4 572	3 611	4 968	5 417
Preference share investment in Investec Limited	400	400	–	–
Preference share investment in fellow subsidiaries	1 933	1 933	2 812	2 087
	6 776	5 812	7 651	7 372

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.

At 31 March	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2009 R'million	2008 R'million	Net indebtedness 2009 R'million	2008 R'million
28. Investments in subsidiaries							
Direct subsidiaries of Investec Bank Limited							
Investec Bank (Mauritius) Limited ^	Banking institution	R535 630 446	100	535	280	483	1 843
Grayinvest Limited	Investment holding	R100	100	*	*	–	–
Reichmans Holdings Limited	Trade financing	R15	100	112	112	969	627
Sibvest Limited	Investment holding	R100	100	*	*	–	–
Sechold Finance Services (Pty) Limited	Investment holding	R1 000	100	*	*	(54)	–
KWJ Investments (Pty) Limited	Investment holding	R100	100	*	*	95	240
AEL Investment Holdings (Pty) Limited	Investment holding	R1 000	100	*	*	(848)	(623)
Investpref Limited	Investment holding	R1 000	100	*	*	(381)	(239)
Grayston Conduit 1 (Pty) Limited	Securitisation	R1	**	*	*	26	–
Other				*	*	48	80
				647	392	338	1 928

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.

* Less than R1 million
** Investec Bank Limited had no equity interest in the following special purpose vehicle, but it is consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entity:
– Grayston Conduit 1 (Pty) Limited
^ Domiciled in Mauritius

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
29. Other trading liabilities				
Short positions				
Gilts	701	266	701	266
	701	266	701	266
30. Debt securities in issue				
Unlisted debt securities in issue repayable:				
Not more than three months	633	1 104	633	1 104
Over three months but not more than one year	321	1 420	321	1 420
	954	2 524	954	2 524
Debt securities are made up of unlisted negotiable certificates of deposit (NCDs).				
31. Current taxation				
Income taxation payable	838	675	820	660
Indirect taxes payable	11	22	11	21
	849	697	831	681
32. Other liabilities				
Settlement liabilities	213	83	213	25
Cumulative redeemable preference shares including accrued dividends	1 406	1 558	–	–
Other non interest bearing liabilities	378	429	341	292
Other creditors and accruals	1 687	1 609	1 629	1 564
	3 684	3 679	2 183	1 881
33. Subordinated debt				
Issued by Investec Bank Limited				
Unsecured subordinated compulsorily convertible debentures	–	19	–	19
IV01 16% subordinated unsecured bonds	180	180	180	180
IV03 16% subordinated unsecured bonds	1 508	1 508	1 508	1 508
IV04 10.75% subordinated unsecured callable bonds	2 062	2 062	2 062	2 062
IV07 variable rate subordinated unsecured callable bonds	941	941	941	941
IV08 13.735% subordinated unsecured callable bonds	200	–	200	–
IV09 variable rate subordinated unsecured callable bonds	200	–	200	–
	5 091	4 710	5 091	4 710
All subordinated debt is denominated in South African Rand.				
Remaining maturity:				
In one year or less, or on demand	–	19	–	–
In more than two years, but not more than five years	3 583	180	3 583	180
In more than five years	1 508	4 511	1 508	4 530
	5 091	4 710	5 091	4 710

33. Subordinated debt (continued)

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 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 converted into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008.

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

IV01 16% subordinated unsecured bonds
R180 million (2008: R180 million) Investec Bank Limited local registered unsecured subordinated bonds due in 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.

IV03 16% subordinated unsecured bonds
R1 508 million (2008: R1 508 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2017.

Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 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 062 million (2008: R2 062 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2018.

Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013.

The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 variable rate subordinated unsecured callable bonds
R941 million (2008: R941 million) Investec Bank Limited local registered unsecured subordinated callable bonds due in 2018.

Interest is paid 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.

IV08 13.735% subordinated unsecured callable bonds
R200 million (2008: Rnil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date.

Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018.

The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable bonds
R200 million (2008: Rnil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date.

Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018.

The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562.5 basis points above JIBAR payable quarterly in arrears until called.

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
34. Ordinary share capital				
Authorised				
105 000 000 (2008: 105 000 000) ordinary shares of 50 cents each				
Issued				
43 906 839 (2008: 38 451 731) ordinary shares of 50 cents each	22	19	22	19
The unissued shares are under the control of the directors until the next Annual General Meeting.				
35. Perpetual preference shares				
Authorised				
70 000 000 (2008: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
15 000 000 (2008: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R99.99 per share				
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	1 491	1 491	1 491	1 491

Share premium on perpetual preference shares included in the line item share premium on the balance sheet. Refer to note 36.

Perpetual 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 perpetual preference shares held. Perpetual preference shareholders receive dividends in priority to shares held. Perpetual 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 perpetual preference dividend has been declared. If declared, perpetual 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.

The group had previously included the par value and share premium received on the issue of perpetual preference shares (an equity instrument) in a single line item within equity on the balance sheet. The presentation has been amended to include the share premium received within the share premium account. This change in presentation has no impact on overall equity, assets and liabilities.

* Less than R1 million

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
36. Share premium				
Share premium on ordinary shares	7 565	6 786	7 565	6 786
Share premium on perpetual preference shares (refer to note 35)	1 491	1 491	1 491	1 491
	9 056	8 277	9 056	8 277

At 31 March R'million	Group 2009	 2008
37. Minority interests		
Minority interests in partially held subsidiaries	5	–

Notes to the financial statements

At 31 March R'million	Group				Company			
	2009		2008		2009		2008	
	Total future minimum payments	Present value	Total future minimum payments	Present value	Total future minimum payments	Present value	Total future minimum payments	Present value
38. Miscellaneous balance sheet disclosure								
Lease receivables included in loans and advances to customers:								
Less than 1 year	764	562	259	182	–	–	–	–
1-5 years	1 121	940	388	318	–	–	1	1
Greater than 5 years	5	5	–	–	–	–	–	–
	1 890	1 507	647	500	–	–	1	1
Unearned finance income	383		147		–		–	

At 31 March 2009 and 31 March 2008 there were no unguaranteed residual values.

At 31 March R'million	Group		Company	
	2009	2008	2009	2008
39. Notes to the cash flow statement				
Cash generated from operating activities is derived as follows:				
Profit before taxation	2 665	2 484	2 428	2 278
Adjustments for:				
Amortisation of debt portion of convertible debentures	–	24	–	24
Depreciation, amortisation and impairment of property, equipment and intangibles	78	69	76	67
Impairment of loans and advances	756	466	642	314
Operating loss from associate	1	1	–	–
Impairment of associate	62	–	–	–
Loss on disposal of group operations	–	38	–	–
	3 562	3 082	3 146	2 683
Taxation paid				
Opening balance on net taxation liability	(735)	(328)	(725)	(285)
Current year normal taxation charge	(600)	(686)	(532)	(669)
Recognised directly in equity	–	(10)	–	(11)
Closing balance on net taxation liability	1 100	735	1 049	725
	(235)	(289)	(208)	(240)
Increase in operating assets				
Loans and advances to banks	4 080	6 294	5 022	6 935
Reverse repurchase agreements and cash collateral on securities borrowed	(1 162)	(2 836)	(1 162)	(2 836)
Trading securities	(2 023)	(4 441)	(2 917)	(4 911)
Derivative financial instruments	(282)	(3 975)	(243)	(4 242)
Investment securities	(710)	(264)	(711)	(253)
Loans and advances to customers	(17 121)	(27 058)	(19 587)	(22 858)
Securitised assets	1 741	(1 691)	211	5 186
Loans to group companies	(964)	3 941	(279)	2 136
Other assets	164	(386)	118	9
	(16 277)	(30 416)	(19 548)	(20 834)
Increase in operating liabilities				
Deposits by banks	2 732	(3 532)	2 636	(3 639)
Derivative financial instruments	330	4 576	399	4 662
Other trading liabilities	435	11	435	11
Repurchase agreements and cash collateral on securities lent	757	(845)	760	(840)
Customer accounts	11 485	24 619	10 579	23 431
Debt securities in issue	(1 570)	1 181	(1 570)	965
Liabilities arising on securitisation	(2 451)	1 472	(215)	(5 188)
Other liabilities	5	(83)	302	(28)
	11 723	27 399	13 326	19 374

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
40. Commitments				
Undrawn facilities	23 646	29 564	23 498	29 527
Other commitments	–	–	–	1 030
	23 646	29 564	23 498	30 557
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	239	148	239	148
1-5 years	1 064	1 019	1 064	1 019
Later than 5 years	3 117	2 273	3 117	2 273
	4 420	3 440	4 420	3 440
At 31 March 2009, 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% percent per annum. The majority of the leases have renewal options. Contingent rent represents payments made to landlords for operating, tax and other escalation expenses.				
41. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	7 494	5 467	7 583	4 919
– Acceptances and other debt arrangements	–	–	–	14
	7 494	5 467	7 583	4 933

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 R91 million (2008: 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 ended 31 March R'million	Group and company 2009	 2008
42. Related party transactions		
Compensation to the board of directors and other key management personnel*		
– Short-term employee benefits	55	80
– Share based payments	19	20
	74	100

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

R'million	Group and company 2009 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	
Balance at 1 April 2008	192
Increase in loans	64
Repayment of loans	(143)
Balance at 31 March 2009	113
Guarantees	
Guarantees in issue at 1 April 2008	10
Additional guarantees granted	11
Guarantees in issue at 31 March 2009	21
Deposits	
Balance at 1 April 2008	(316)
Increase in deposits	51
Balance at 31 March 2009	(367)

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.

For the year ended 31 March R'million	Group 2009 Balance at end of year	 2008 Balance at end of year	Company 2009 Balance at end of year	 2008 Balance at end of year
Transactions with other related parties Various members of key management personnel have shareholdings in other companies. At 31 March 2008, Investec Bank Limited group had the following loans outstanding from these related parties	132	178	61	178

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.

Other transactions relating to directors, refer to page 88 to 94 in the Directors's Remuneration Report.

Refer to note 22 for loans to group companies and note 22 for loans to subsidiary companies.

For the year ended 31 March R'million	Group and company 2009	 2008
42. Related party transactions (continued)		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	1 172	2 949
Repurchase agreements and cash collateral on securities borrowed	4 091	–
Loans and advances to customers	113	139
Interest in associated companies	164	185
Derivative financial instruments	170	123
Liabilities		
Deposits from banks	(638)	(599)
Customer accounts	(17)	(39)
Derivative financial instruments	(200)	(197)

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.

During the year to March 2009, interest of R112.7 million was received from entities in the Investec plc group. Interest of R22.3 million was paid to entities in the Investec plc group.

In the normal course of business, services are rendered between Investec plc and Investec Bank Limited entities. In the year to 31 March 2009, this resulted in a net payment by Investec plc group of R98.0 million. Specific transactions of an advisory nature between group entities have resulted in a net free payment by Investec plc group of R7.4 million.

43. 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, central 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 which require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

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

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains on hedging instrument	Current year gains on hedged instrument	Cumulative losses on hedged items	Current year losses on hedged items
2009						
Interest rate swaps – liabilities	Subordinated bonds	249	379	223	(150)	(272)
		249	379	223	(150)	(272)
2008						
Interest rate swaps – liabilities	Subordinated bonds	45	134	207	(135)	(198)
		45	134	207	(135)	(198)

There were cash flow hedges during the year to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity.

Notes to the financial statements

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
44. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2009								
Liabilities								
Deposits by banks	455	2 944	135	215	95	8 316	–	12 160
Derivative financial instruments	10 464	–	–	17	–	2	–	10 483
Repurchase agreements and cash collateral on securities lent	2 281	–	–	–	–	–	9	2 290
Customer accounts	38 211	36 604	25 403	9 212	13 186	3 773	751	127 140
Debt securities in issue	–	154	479	301	20	–	–	954
Liabilities arising on securitisation	–	1 533	1 893	–	2	562	69	4 059
Other liabilities	515	204	755	354	113	1 264	527	3 732
	51 926	41 439	28 665	10 099	13 416	13 917	1 356	160 818
Subordinated liabilities (including convertible debt)	–	–	–	–	–	3 583	1 508	5 091
Total on balance sheet liabilities	51 926	41 439	28 665	10 099	13 416	17 500	2 864	165 909
Off-balance sheet liabilities	956	298	4 622	3 567	6 541	6 168	8 877	31 029
Total liabilities	52 882	41 737	33 287	13 666	19 957	23 668	11 741	196 938
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
Total 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

The balances in the above table will not agree directly to the balances in the group balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an analysis based on discounted cashflows, please refer to page 62.

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
44. Liquidity analysis of financial liabilities based on undiscounted cash flows continued								
Company								
2009								
Liabilities								
Deposits by banks	314	2 812	121	118	92	7 558	–	11 015
Derivative financial instruments	10 461	–	–	–	–	2	–	10 463
Repurchase agreements and cash collateral on securities lent	2 281	–	–	–	–	–	–	2 281
Customer accounts	37 043	36 354	23 758	8 522	13 080	3 617	703	123 077
Debt securities in issue	–	154	479	301	20	–	–	954
Liabilities arising on securitisation	–	586	283	–	–	–	–	869
Other liabilities	512	54	701	234	86	238	388	2 213
	50 611	39 960	25 342	9 175	13 278	11 415	1 091	150 872
Subordinated liabilities (including convertible debt)	–	–	–	–	–	3 583	1 508	5 091
Total on balance sheet liabilities	50 611	39 960	25 342	9 175	13 278	14 998	2 599	155 963
Off-balance sheet liabilities	736	298	4 622	3 567	6 541	6 168	8 877	30 809
Total liabilities	51 347	40 258	29 964	12 742	19 819	21 166	11 476	186 772
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
Total 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

The balances in the above table will not agree directly to the balances in the company balance sheet as the table incorporates all cash flows, 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.

Notice to the Annual General Meeting

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 13 August 2009 at the registered office of Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196 to transact the following business:

1. To receive and adopt the audited financial statements of Investec Bank Limited for the year ended 31 March 2009, 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 2009.
3. To sanction the dividends paid on the ordinary and preference shares for the year ended 31 March 2009.
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 2010 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 2010 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:
   To elect directors: Messrs F Titi, DM Lawrence, MP Malungani, PRS Thomas and RMW Dunne retire by rotation in terms of the articles of association and being eligible, offer themselves for re-election.
   For brief biographical details of the directors to be re-elected, please refer to page 82 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 13 August 2009, 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.

The directors of Investec Bank Limited have no present intention of making any purchases, but believe that Investec Bank Limited should retain the flexibility to take action if future purchases were considered desirable and in the best interests of its shareholder.

Litigation statement

In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 82 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, bonds, unsecured subordinated notes, subordinated unsecured callable notes, fixed rate upper tier 2 notes and 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

Benita Coetsee
Group Secretary

Sandton
15 June 2009

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Financial statements

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