

Out of the Ordinary®



Investec Limited silo financial information (excluding the results of Investec plc)

Unaudited condensed consolidated financial information for the six months ended 30 September 2009

IFRS - Rand





Overview of results

	30 Sept 2009	30 Sept 2008	% Change	31 March 2009
Operating profit before taxation and headline adjustments (R'million)	1,667	2,122	-21.4%	4,096
Headline earnings attributable to ordinary shareholders (R'million)	1,008	1,337	-24.6%	2,578
Cost to income ratio	52.6%	50.6%		49.9%
Total capital resources (including subordinated liabilities) (R'million)	22,096	20,179	9.5%	21,260
Total equity (R'million)	17,005	15,088	12.7%	16,169
Total assets (R'million)	256,036	262,412	-2.4%	246,225
Net core loans and advances (R'million)	119,935	114,081	5.1%	120,444
Customer accounts (deposits) (R'million)	136,498	121,929	11.9%	126,870
Capital adequacy ratio	14.7%	10.3%		14.2%
Tier 1 ratio	11.3%	10.4%		10.8%



Consolidated income statement

R'million	6 months to 30 Sept 2009	6 months to 30 Sept 2008	Year to 31 March 2009
Interest income	7,831	10,801	21,639
Interest expense	(6,151)	(8,804)	(17,661)
Net interest income	1,680	1,997	3,978
Fee and commission income	1,427	1,807	3,693
Fee and commission expense	(54)	(80)	(178)
Principal transactions	1,326	967	2,249
Operating loss from associates	(41)	(27)	(1)
Investment income on assurance activities	845	398	1,041
Premiums and reinsurance recoveries on insurance contracts	27	196	262
Other operating income/(loss)	33	(37)	(103)
Other income	3,563	3,224	6,963
Claims on reinsurance premiums on insurance business	(847)	(565)	(1,228)
Total operating income before impairment losses on loans and advances	4,396	4,656	9,713
Impairment losses on loans and advances	(415)	(178)	(766)
Operating income	3,981	4,478	8,947
Administrative expenses	(2,256)	(2,315)	(4,762)
Depreciation, amortisation and impairment of property, equipment and software	(58)	(41)	(89)
Operating profit before goodwill	1,667	2,122	4,096
Goodwill	(15)	-	(31)
Operating profit	1,652	2,122	4,065
Profit on disposal of group operations	-	-	10
Profit before taxation	1,652	2,122	4,075
Taxation	(388)	(548)	(1,018)
Profit after taxation	1,264	1,574	3,057
Earnings attributable to minority interests	-	3	7
Earnings attributable to shareholders	1,264	1,571	3,050

R'million	6 months to 30 Sept 2009	6 months to 30 Sept 2008	Year to 31 March 2009
Calculation of headline earnings			
Earnings attributable to shareholders	1,264	1,571	3,050
Preference dividends paid	(198)	(190)	(397)
Earnings attributable to ordinary shareholders	1,066	1,381	2,653
Headline adjustments:	(58)	(44)	(75)
Goodwill impairment	15	-	31
Revaluation of investment properties	(113)	(44)	(102)
Profit on disposal of group operations	-	-	(10)
Impairment of associates	-	-	62
Disposal of available for sale instruments	40	-	(56)
Headline earnings attributable to ordinary shareholders	1,008	1,337	2,578



Consolidated balance sheet

R'million	30 Sept 2009	31 March 2009	30 Sept 2008
Assets			
Cash and balances at central banks	3,493	3,158	3,103
Loans and advances to banks	8,485	12,185	17,282
Cash equivalent advances to customers	5,954	5,378	7,247
Reverse repurchase agreements and cash collateral on securities borrowed	4,135	8,388	10,166
Trading securities	40,020	26,982	24,923
Derivative financial instruments	8,841	9,991	7,770
Investment securities	934	635	200
Loans and advances to customers	112,604	112,161	105,288
Securitised assets	11,894	13,013	13,673
Interests in associated undertakings	145	166	167
Deferred taxation assets	601	508	426
Other assets	6,051	4,892	5,969
Property and equipment	179	190	198
Investment properties	2,405	2,568	2,415
Goodwill	293	308	339
Intangible assets	78	88	73
Investment in subsidiaries	-	-	-
	206,112	200,611	199,239
Other financial instruments at fair value through income in respect of			
- Liabilities to customers	49,886	45,590	49,555
- Assets realted to reinsurance contracts	38	24	13,618
	256,036	246,225	262,412
Liabilities			
Deposits by banks	10,177	12,159	9,332
Derivative financial instruments	8,304	10,505	8,198
Other trading liabilities	2,499	2,072	3,830
Repurchase agreements and cash collateral on securities lent	3,856	2,290	6,306
Customer accounts	136,498	126,870	121,929
Debt securities in issue	1,122	954	3,201
Liabilities arising on securitisation	8,796	11,100	13,022
Current taxation liabilities	1,219	1,192	1,026
Deferred taxation liabilities	1,099	870	696
Other liabilities	10,445	11,340	11,519
	184,015	179,352	179,059
Liabilities to customers under investment contracts	49,808	45,515	49,254
Insurance liabilities, including unit-linked liabilities	79	74	302
Reinsured liabilities	38	24	13,618
	233,940	224,965	242,233
Subordinated liabilities (including convertible debt)	5,091	5,091	5,091
	239,031	230,056	247,324
Equity			
Ordinary share capital	1	1	1
Share premium	8,384	8,372	8,155
Treasury shares	(1,177)	(1,758)	(1,851)
Equity portion of compulsory convertible debentures			
Other reserves	(218)	185	192
Retained income	8,510	7,859	7,081
Shareholders' equity excluding minority interest	15,500	14,659	13,578
Minority interest	1,505	1,510	1,510
- Perpetual preferred securities issued by subsidiaries	1,491	1,491	1,491
- Minority interests in partially held subsidiaries	14	19	19
Total shareholders' equity	17,005	16,169	15,088
Total liabilities and equity	256,036	246,225	262,412



Condensed consolidated statement of changes in equity

R'million	6 months to 30 Sept 2009	Year to 31 March 2009	6 months to 30 Sept 2008
Balance at the beginning of the period	16,169	14,561	14,561
Foreign currency movements	(411)	(29)	(24)
Profit after taxation	1,264	3,057	1,574
Fair value movement on available for sale assets	12	(100)	(6)
Movements on cash flow hedges	(4)	(1)	-
Total recognised gains and losses for the year	861	2,927	1,544
Share based payments	199	351	166
Issue of ordinary shares	12	636	419
Dividends paid to ordinary shareholders	(324)	(1,379)	(793)
Dividends paid to perpetual preference shareholders	(198)	(397)	(190)
Movements on minorities on disposals and acquisitions	-	1	5
Movement of treasury shares	291	(531)	(624)
Dividends paid to minority shareholders	(5)	-	-
Balance at the end of the period	17,005	16,169	15,088



Segmental information - business analysis

For the six months to 30 September 2009

R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total group
Net interest income	796	529	25	18	(45)	357	1,680
Fee and commission income	413	180	155	639	55	(15)	1,427
Fee and commission expense	(21)	(18)	(13)	-	-	(2)	(54)
Principal transactions	15	275	444	-	193	399	1,326
Operating loss from associates	-	-	-	-	-	(41)	(41)
Investment income on assurance activities	-	-	-	-	-	845	845
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	27	27
Other operating income/(loss)	-	-	-	35	(2)	-	33
Other income	407	437	586	674	246	1,213	3,563
Claims on reinsurance premiums on insurance business	-	-	-	-	-	(847)	(847)
Total operating income before impairment losses on loans and advances	1,203	966	611	692	201	723	4,396
Impairment losses on loans and advances	(226)	(83)	-	-	-	(106)	(415)
Total operating income	977	883	611	692	201	617	3,981
Administrative expenses	(775)	(481)	(269)	(413)	(82)	(236)	(2,256)
Depreciation, amortisation and impairment of property, equipment and software	(16)	(15)	-	(5)	-	(22)	(58)
Operating profit before goodwill	186	387	342	274	119	359	1,667
Goodwill	-	-	-	(15)	-	-	(15)
Profit before tax	186	387	342	259	119	359	1,652
Cost to income ratio	65.8%	51.3%	44.0%	60.4%	40.8%	35.7%	52.6%
Total assets	62,652	119,094	2,360	1,704	1,365	68,861	256,036

For the six months to 30 September 2008

R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total group
Net interest income	941	547	10	24	(63)	538	1,997
Fee and commission income	483	201	237	754	135	(3)	1,807
Fee and commission expense	2	(7)	(73)	-	-	(2)	(80)
Principal transactions	26	248	530	-	164	(1)	967
Operating loss from associate	-	-	-	-	-	(27)	(27)
Investment income on assurance activities	-	-	-	-	-	29	29
Other operating loss	-	-	-	(37)	-	-	(37)
Other income	511	442	694	717	299	(4)	2,659
Total operating income before impairment losses on loans and advances	1,452	989	704	741	236	534	4,656
Impairment losses on loans and advances	(105)	(46)	-	-	-	(27)	(178)
Operating income	1,347	943	704	741	236	507	4,478
Administrative expenses	(895)	(473)	(269)	(399)	(72)	(207)	(2,315)
Depreciation, amortisation and impairment of property, equipment and software	(15)	(1)	-	(5)	-	(20)	(41)
Profit before taxation	437	469	435	337	164	280	2,122
Cost to income ratio	62.7%	47.9%	38.2%	54.5%	30.5%	42.5%	50.6%
Total assets	57,108	119,846	2,938	1,822	1,076	79,622	262,412



Segmental analysis of operating profit before goodwill, non-operating items and taxation

R'million	6 months to 30 Sept 2009	6 months to 30 Sept 2008	% Change
Private Client Activities	186	437	(57.4%)
Capital Markets	387	469	(17.5%)
Investment Banking			
Corporate Finance	27	28	(3.6%)
Institutional Research, Sales and Trading	10	35	(71.4%)
Principle Investments	305	372	(18.0%)
	342	435	(21.4%)
Asset Management	274	337	(18.7%)
Property activities	119	164	(27.4%)
Group Services and Other Activities			
International Trade Finance	26	29	(10.3%)
Central Funding	541	434	24.7%
Central Costs	(208)	(183)	13.7%
	359	280	28.2%
Total group	1,667	2,122	(21.4%)



Risk management

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

Credit and counterparty risk management

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

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

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

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

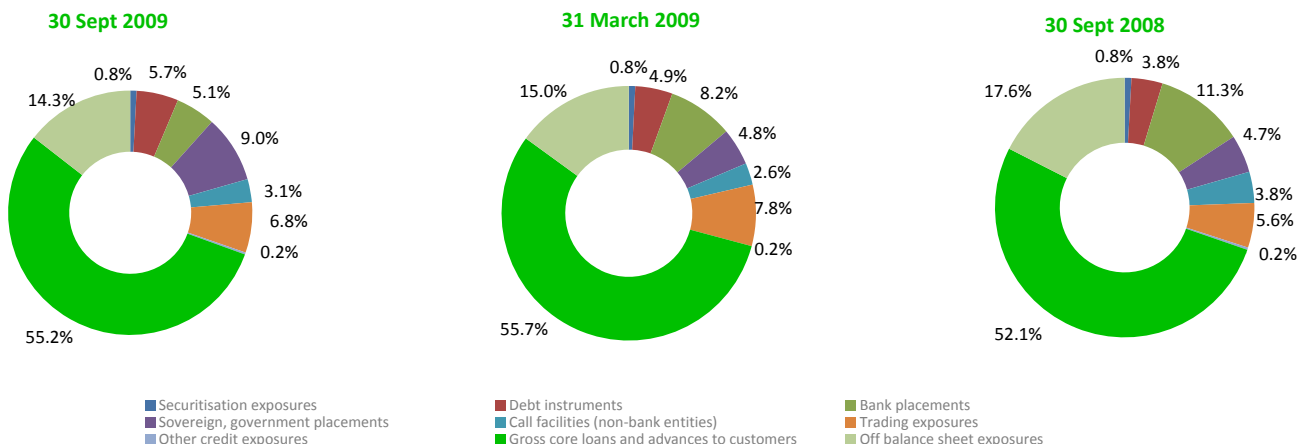
Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

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

An analysis of gross credit and counterparty exposures

R'million	30 Sept 2009	31 March 2009	% change	Average*	30 Sept 2008
On-balance sheet exposures	188,056	185,298	1.5%	186,679	181,234
Securitisation exposures arising from securitisation/principal finance activities	1,685	1,782	-5.4%	1,734	1,837
Rated instruments	-	-	0.0%	-	250
Unrated instruments	551	644	-14.4%	598	645
Other	1,134	1,138	-0.4%	1,136	942
Debt instruments (NCDs, bonds held, debentures)	12,509	10,579	18.2%	11,544	8,363
Bank placements	11,114	17,783	-37.5%	14,449	24,796
Sovereign, government placements	19,714	10,468	88.3%	15,091	10,436
Call facilities (non-bank entities)	6,701	5,755	16.4%	6,228	8,333
Trading exposures (positive fair value excluding potential future exposures)	14,898	17,019	-12.5%	15,959	12,371
Other credit exposures	362	450	-19.6%	406	524
Gross core loans and advances to customers	121,073	121,462	-0.3%	121,268	114,574
Off-balance sheet exposures	31,396	32,587	-3.7%	31,992	38,680
Guarantees	6,507	6,898	-5.7%	6,703	9,136
Contingent liabilities, committed facilities, other	24,889	25,689	-3.1%	25,289	29,544
Total gross credit and counterparty exposures pre collateral or other credit enhancements	219,452	217,885	0.7%	218,671	219,914

*Where the average is based on a straight line average for the period 31 March 2009 to 30 September 2009





Risk management

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

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

R'million	Securitisation exposures arising from securitisation/principal finance activities			Debt instruments (NCDs, bonds held, debentures)	Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
	Total	Unrated instruments	Other											
As at 30 September 2009														-
Cash and balances at central banks	-	-	-	-	-	3,493	-	-	-	-	3,493	-	-	3,493
Loans and advances to banks	-	-	-	-	8,144	-	-	341	-	-	8,485	-	-	8,485
Cash equivalent advances to customers	-	-	-	-	-	-	5,831	123	-	-	5,954	-	-	5,954
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	2,970	-	870	295	-	-	4,135	-	-	4,135
Trading securities	471	471	-	11,365	-	16,221	-	4,238	-	-	32,295	7,725	1	40,020
Derivative financial instruments	-	-	-	-	-	-	-	8,377	83	-	8,460	381	1	8,841
Investment securities	-	-	-	887	-	-	-	-	-	-	887	47	-	934
Loans and advances to customers	1,104	22	1,082	-	-	-	-	-	-	112,708	113,812	-1,207	2	112,605
Securitised assets	110	58	52	-	-	-	-	-	-	8,365	8,475	3,419	-	11,894
Deferred taxation assets	-	-	-	-	-	-	-	-	-	-	-	601	-	601
Other assets	-	-	-	257	-	-	-	1,524	279	-	2,060	3,991	-	6,051
Interests in associated undertakings	-	-	-	-	-	-	-	-	-	-	-	145	-	145
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	179	-	179
Investment property	-	-	-	-	-	-	-	-	-	-	-	2,405	-	2,405
Goodwill	-	-	-	-	-	-	-	-	-	-	-	293	-	293
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	78	-	78
Insurance assets	-	-	-	-	-	-	-	-	-	-	-	49,923	-	49,923
Total	1,685	551	1,134	12,509	11,114	19,714	6,701	14,898	362	121,073	188,056	67,980		256,036
As at 31 March 2009														
Cash and balances at central banks	-	-	-	-	24	3,134	-	-	-	-	3,158	-	-	3,158
Loans and advances to banks	-	-	-	-	11,711	-	-	474	-	-	12,185	-	-	12,185
Cash equivalent advances to customers	-	-	-	-	-	-	5,158	175	45	-	5,378	-	-	5,378
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	6,048	-	597	1,743	-	-	8,388	-	-	8,388
Trading securities	567	567	-	9,259	-	7,334	-	3,947	-	-	21,107	5,875	1	26,982
Derivative financial instruments	-	-	-	-	-	-	-	9,611	105	-	9,716	275	1	9,991
Investment securities	-	-	-	493	-	-	-	-	-	-	493	142	-	635
Loans and advances to customers	1,089	21	1,068	-	-	-	-	-	-	112,153	113,242	-1,081	2	112,161
Securitised assets	126	56	70	-	-	-	-	-	-	9,309	9,435	3,578	-	13,013
Other assets	-	-	-	827	-	-	-	1,069	300	-	2,196	2,696	-	4,892
Interests in associated undertakings	-	-	-	-	-	-	-	-	-	-	-	166	-	166
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	190	-	190
Investment property	-	-	-	-	-	-	-	-	-	-	-	2,568	-	2,568
Goodwill	-	-	-	-	-	-	-	-	-	-	-	308	-	308
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	88	-	88
Insurance assets	-	-	-	-	-	-	-	-	-	-	-	45,614	-	45,614
Total	1,782	644	1,138	10,579	17,783	10,468	5,755	17,019	450	121,462	185,298	60,927		246,225

Notes:

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



Risk management

An analysis of gross credit and counterparty exposure by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2009	31 March 2009	30 Sept 2009	31 March 2009	30 Sept 2009	31 March 2009
HNW and professional individuals	85,150	84,560	24,417	25,483	109,567	110,043
Agriculture	491	315	54	55	545	370
Electricity, gas and water (utility services)	849	772	457	388	1,306	1,160
Public and non-business services	2,336	2,149	19,714	10,468	22,050	12,617
Business service	43	2,110	599	768	642	2,878
Finance and insurance	11,584	11,598	46,432	51,520	58,016	63,118
Retailers and wholesalers	1,655	3,062	1,998	2,381	3,653	5,443
Manufacturing and commerce	7,499	3,122	1,637	2,972	9,136	6,094
Real estate	2,780	3,987	445	601	3,225	4,588
Mining and resources	2,229	2,260	1,067	823	3,296	3,083
Leisure, entertainment and tourism	728	1,486	124	99	852	1,585
Transport and communication	5,729	6,041	1,435	865	7,164	6,906
Total	121,073	121,462	98,379	96,423	219,452	217,885

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business service	Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and communication	Total
As at 30 Sept 2009													
On-balance sheet exposures	85,271	545	1,287	22,050	593	52,579	3,563	8,734	3,225	2,655	784	6,770	188,056
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	1,575	110	-	-	-	-	-	1,685
Unrated instruments	-	-	-	-	-	493	58	-	-	-	-	-	551
Other	-	-	-	-	-	1,082	52	-	-	-	-	-	1,134
Debt instruments (NCDs, bonds held, debentures)	-	-	44	-	-	12,230	71	101	-	-	-	63	12,509
Bank placements	-	-	-	-	-	11,114	-	-	-	-	-	-	11,114
Sovereign, government placements	-	-	-	19,714	-	-	-	-	-	-	-	-	19,714
Call facilities (non-bank entities)	-	50	215	-	222	2,702	1,429	1,021	-	332	-	730	6,701
Trading exposures (positive fair value excluding potential future exposures)	121	4	179	-	328	13,090	289	102	445	36	56	248	14,898
Other credit exposures	-	-	-	-	-	284	9	11	-	58	-	-	362
Gross core loans and advances to customers	85,150	491	849	2,336	43	11,584	1,655	7,499	2,780	2,229	728	5,729	121,073
Off-balance sheet exposures	24,296	-	19	-	49	5,437	90	402	-	641	68	394	31,396
Guarantees	4,925	-	19	-	49	1,214	-	288	-	9	-	3	6,507
Contingent liabilities, committed facilities, other	19,371	-	-	-	-	4,223	90	114	-	632	68	391	24,889
Total gross credit and counterparty exposures pre collateral or other credit enhancements	109,567	545	1,306	22,050	642	58,016	3,653	9,136	3,225	3,296	852	7,164	219,452
As at 31 March 2009													
On-balance sheet exposures	84,681	370	1,159	12,617	2,657	58,461	4,939	5,054	4,486	2,797	1,487	6,590	185,298
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-	1,656	126	-	-	-	-	-	1,782
Unrated instruments	-	-	-	-	-	588	56	-	-	-	-	-	644
Other	-	-	-	-	-	1,068	70	-	-	-	-	-	1,138
Debt instruments (NCDs, bonds held, debentures)	-	-	60	-	-	10,262	70	-	-	159	-	28	10,579
Bank placements	-	-	-	-	-	17,783	-	-	-	-	-	-	17,783
Sovereign, government placements	-	-	-	10,468	-	-	-	-	-	-	-	-	10,468
Call facilities (non-bank entities)	-	51	247	-	369	1,300	1,563	1,593	-	273	-	359	5,755
Trading exposures (positive fair value excluding potential future exposures)	121	4	80	-	177	15,695	79	172	497	38	-	156	17,019
Other credit exposures	-	-	-	-	1	167	39	167	2	67	1	6	450
Gross core loans and advances to customers	84,560	315	772	2,149	2,110	11,598	3,062	3,122	3,987	2,260	1,486	6,041	121,462
Off-balance sheet exposures	25,362	-	1	-	221	4,657	504	1,040	102	286	98	316	32,587
Guarantees	5,733	-	1	-	107	207	204	518	64	9	-	55	6,898
Contingent liabilities, committed facilities, other	19,629	-	-	-	114	4,450	300	522	38	277	98	261	25,689
Total gross credit and counterparty exposures pre collateral or other credit enhancements	110,043	370	1,160	12,617	2,878	63,118	5,443	6,094	4,588	3,083	1,585	6,906	217,885



Risk management

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 number 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, warehouse assets and structured credit investments arising out of our securitisation and principal finance activities have been deducted.

R'million	30 Sept 2009	31 March 2009	30 Sept 2008
Loans (pre-impairments and intercompany loans) as per balance sheet	113,812	113,242	105,873
Less: warehouse facilities and warehouse assets arising out of our Securitisation and Principal Finance activities (pre-impairments)	-1,104	-1,089	-802
Add: own-originated securitised assets	8,365	9,309	9,503
Gross Core loans and advances to customers (pre impairments)	121,073	121,462	114,574

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	30 Sept 2009	31 March 2009	30 Sept 2008
Gross core loans and advances to customers	121,073	121,462	114,574
Total impairments	-1,138	-1,018	-493
Portfolio impairments	-298	-90	-71
Specific impairments	-840	-928	-422
Net core loans and advances to customers	119,935	120,444	114,081
Average gross core loans and advances to customers	121,268	112,715	109,271
Current loans and advances to customers	113,073	115,360	110,872
Total gross non-current loans and advances to customers	8,000	6,102	3,702
Past due loans and advances to customers (1-60 days and management not concerned)	1,816	1,887	1,785
Special mention loans and advances to customers	1,575	643	295
Default loans and advances to customers	4,609	3,572	1,622
Gross core loans and advances to customers	121,073	121,462	114,574
Total gross non-current core loans and advances to customers	8,000	6,102	3,702
Default loans that are current and not impaired	118	21	460
Gross core loans and advances to customers that are past due but not impaired	4,152	3,003	2,241
Gross core loans and advances to customers that are impaired	3,730	3,078	1,001
Total income statement charge for impairments against core loans	-415	-766	-178
Gross default loans and advances to customers	4,609	3,572	1,622
Specific impairments	-840	-928	-422
Portfolio impairments	-298	-90	-71
Defaults net of impairments	3,471	2,554	1,129
Collateral and other credit enhancements	5,148	3,635	1,536
Net default loans and advances to customers (limited to zero)	-	-	-
Ratios:			
Specific impairments as a % of gross core loans and advances to customers	0.69%	0.76%	0.37%
Portfolio impairments as a % of gross core loans and advances to customers	0.25%	0.07%	0.06%
Total impairments as a % of gross core loans and advances to customers	0.94%	0.84%	0.43%
Specific impairments as a % of gross default loans	18.23%	25.98%	26.02%
Gross defaults as a % of gross core loans and advances to customers	3.81%	2.94%	1.42%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.89%	2.12%	0.99%
Net defaults as a % of gross core loans and advances to customers	0.00%	0.00%	0.00%
Annualised credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	0.68%	0.68%	0.33%



Risk management

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

R'million	Private Bank		Capital Markets		Other*		Total	
	30 Sept 2009	31 March 2009	30 Sept 2009	31 March 2009	30 Sept 2009	31 March 2009	30 Sept 2009	31 March 2009
Gross core loans and advances to customers	85,150	84,558	31,731	32,825	4,192	4,079	121,073	121,462
Total impairments	-720	-511	-205	-341	-213	-166	-1,138	-1,018
Portfolio impairments	-184	-64	-18	-19	-96	-7	-298	-90
Specific impairments	-536	-447	-187	-322	-117	-159	-840	-928
Net core loans and advances to customers	84,430	84,047	31,526	32,484	3,979	3,913	119,935	120,444
Average gross core loans and advances	84,854	79,228	32,277	29,818	4,137	3,669	121,268	112,715
Current loans and advances to customers	77,947	79,559	31,233	32,121	3,893	3,680	113,073	115,360
Total gross non current loans and advances to customers	7,203	4,999	497	704	300	399	8,000	6,102
Past due loans and advances to customers (1-60 days and management not concerned)	1,551	1,712	154	63	111	112	1,816	1,887
Special mention loans and advances to customers	1,515	582	43	40	17	21	1,575	643
Default loans and advances to customers	4,137	2,705	300	601	172	266	4,609	3,572
Gross core loans and advances to customers	85,150	84,558	31,731	32,825	4,192	4,079	121,073	121,462
Total gross non-current core loans and advances to customers	7,203	4,999	497	704	300	399	8,000	6,102
Default loans that are current and not impaired	118	21	-	-	-	-	118	21
Gross core loans and advances to customers that are past due but not impaired	3,827	2,767	197	103	128	133	4,152	3,003
Gross core loans and advances to customers that are impaired	3,258	2,211	300	601	172	266	3,730	3,078
Total income statement charge for impairments on core loans	-226	-266	-83	-354	-106	-146	-415	-766
Gross default loans and advances to customers	4,137	2,705	300	601	172	266	4,609	3,572
Specific impairments	-536	-447	-187	-322	-117	-159	-840	-928
Portfolio impairments	-184	-64	-18	-19	-96	-7	-298	-90
Defaults net of impairments	3,417	2,194	95	260	-41	100	3,471	2,554
Collateral and other credit enhancements	4,944	3,036	113	449	91	150	5,148	3,635
Net default loans and advances to customers (limited to zero)	-	-	-	-	-	-	-	-
Specific impairments as a % of gross core loans and advances to customers	0.63%	0.53%	0.59%	0.98%	2.79%	3.90%	0.69%	0.76%
Portfolio impairments as a % of gross core loans and advances to customers	0.22%	0.08%	0.06%	0.06%	2.29%	0.17%	0.25%	0.07%
Total impairments as a % of gross core loans and advances to customers	0.85%	0.60%	0.65%	1.04%	5.08%	4.07%	0.94%	0.84%
Specific impairments as a % of gross default loans	12.96%	16.52%	62.33%	53.58%	68.02%	59.77%	18.23%	25.98%
Gross defaults as a % of gross core loans and advances to customers	4.86%	3.20%	0.95%	1.83%	4.10%	6.52%	3.81%	2.94%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.05%	2.61%	0.30%	0.80%	-1.03%	2.56%	2.89%	2.12%
Net defaults as a % of gross core loans and advances to customers	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annualised credit loss ratio as a % of average gross core loans and advances	0.53%	0.34%	0.51%	1.19%	5.13%	3.98%	0.68%	0.68%

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



Risk management

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

R'million	30 Sept 2009	31 March 2009
Default loans that are current	526	938
1 - 60 days	2,277	2,354
61 - 90 days	1,327	710
91 - 180 days	2,088	1,241
181 - 365 days	1,108	518
>365 days	674	341
Total gross non-current loans and advances to customers (actual capital exposure)	8,000	6,102
Default loans that are current	-	-
1 - 60 days	458	274
61 - 90 days	155	105
91 - 180 days	1,425	481
181 - 365 days	595	213
>365 days	477	242
Total gross non-current loans and advances to customers (actual amount in arrears)	3,110	1,315

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

As at 30 September 2009

R'million	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Default loans that are current and not impaired							
Total capital exposure	118						118
Amount in arrears	-						-
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	2,105	1,193	710	94	50	4,152
Amount in arrears	-	403	84	401	36	29	953
Gross core loans and advances to customers that are impaired							
Total capital exposure	408	172	134	1,378	1,014	624	3,730
Amount in arrears	-	55	71	1,024	559	448	2,157
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	-	2,082	418	271	139	93	3,003
Amount in arrears	-	219	43	24	10	3	299
Gross core loans and advances to customers that are impaired							
Total capital exposure	917	272	292	970	379	248	3,078
Amount in arrears	-	55	62	457	203	239	1,016



Risk management

An age analysis of gross non-current core loans and advances to customers as at 30 September 2009 (based on total capital exposure)

R'million	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	1,816	-	-	-	-	1,816
Special mention	-	254	1,179	130	8	4	1,575
Special mention (1 - 90 days)	-	254	-	*130	*8	*4	396
Special mention (61 - 90 days and item well secured)	-	-	1,179	-	-	-	1,179
Default	526	207	148	1,958	1,100	670	4,609
Sub-standard	121	37	16	584	90	48	896
Doubtful	402	170	132	1,374	1,010	622	3,710
Loss	3	-	-	-	-	-	3
Total	526	2,277	1,327	2,088	1,108	674	8,000

An age analysis of gross non-current core loans and advances to customers as at 30 September 2009 (based on actual amount in arrears)

R'million	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	369	-	-	-	-	369
Special mention	-	27	84	22	2	1	136
Special mention (1 - 90 days)	-	27	-	*22	*2	*1	52
Special mention (61 - 90 days and item well secured)	-	-	84	-	-	-	84
Default	-	62	71	1,403	593	476	2,605
Sub-standard	-	9	3	385	37	30	464
Doubtful	-	53	68	1,018	556	446	2,141
Loss	-	-	-	-	-	-	-
Total	-	458	155	1,425	595	477	3,110

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

R'million	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	1,887	-	-	-	-	1,887
Special mention	-	175	412	42	10	4	643
Special mention (1 - 90 days)	-	175	16	*42	*10	*4	247
Special mention (61 - 90 days and item well secured)	-	-	396	-	-	-	396
Default	938	292	298	1,199	508	337	3,572
Sub-standard	56	31	6	314	129	89	625
Doubtful	880	261	292	885	379	248	2,945
Loss	2	-	-	-	-	-	2
Total	938	2,354	710	1,241	518	341	6,102

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	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	180	-	-	-	-	180
Special mention	-	39	43	23	8	3	116
Special mention (1 - 90 days)	-	39	4	*23	*8	*3	77
Special mention (61 - 90 days and item well secured)	-	-	39	-	-	-	39
Default	-	55	62	458	205	239	1,019
Sub-standard	-	6	1	67	79	74	227
Doubtful	-	49	61	391	126	165	792
Loss	-	-	-	-	-	-	-
Total	-	274	105	481	213	242	1,315

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



Risk management

An analysis of core loans and advances to customers

R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 30 September 2009								
Current core loans and advances	113,073	-	-	113,073	-	-240	112,833	-
Past due (1-60 days)	-	1,816	-	1,816	-	-35	1,781	369
Special mention	-	1,575	-	1,575	-	-13	1,562	136
Special mention (1 - 90 days)	-	396	-	396	-	-9	387	52
Special mention (61 - 90 days and item well secured)	-	1,179	-	1,179	-	-4	1,175	84
Default	118	761	3,730	4,609	-840	-10	3,759	2,605
Sub-standard	118	761	17	896	-	-	896	464
Doubtful	-	-	3,710	3,710	-838	-10	2,862	2,141
Loss	-	-	3	3	-2	-	1	-
Total	113,191	4,152	3,730	121,073	-840	-298	119,935	3,110
As at 31 March 2009								
Current core loans and advances	115,360	-	-	115,360	-	-81	115,279	-
Past due (1-60 days)	-	1,887	-	1,887	-	-3	1,884	180
Special mention	-	643	-	643	-	-6	637	116
Special mention (1 - 90 days)	-	247	-	247	-	-6	241	77
Special mention (61 - 90 days and item well secured)	-	396	-	396	-	-	396	39
Default	21	473	3,078	3,572	-928	-	2,644	1,019
Sub-standard	21	473	131	625	-56	-	569	227
Doubtful	-	-	2,945	2,945	-870	-	2,075	792
Loss	-	-	2	2	-2	-	-	-
Total	115,381	3,003	3,078	121,462	-928	-90	120,444	1,315



Risk management

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

R'million	Current core loans and advances	Past due (1-60 days) and management not concerned)	Special mention (1 - 90 days)	Special mention (61 - 90 days and item well secured)	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
As at 30 September 2009											
Private Banking professional and HNW individuals	77,947	1,550	353	1,162	879	3,256	3	85,150	-264	-536	-800
Corporate sector	20,139	155	43	-	-	352	-	20,689	-16	-239	-255
Banking, insurance, financial services (excluding sovereign)	11,584	-	-	-	-	-	-	11,584	-8	-	-8
Public and government sector (including central banks)	2,336	-	-	-	-	-	-	2,336	-	-	-
Trade finance	1,067	111	-	17	17	102	-	1,314	-10	-65	-75
Kensington - Mortgage lending	-	-	-	-	-	-	-	-	-	-	-
Total gross core loans and advances to customers	113,073	1,816	396	1,179	896	3,710	3	121,073	-298	-840	-1,138
As at 31 March 2009											
Private Banking professional and HNW individuals	79,561	1,712	247	335	505	2,198	2	84,560	-64	-447	-511
Corporate sector	21,000	63	-	40	85	654	-	21,842	-13	-420	-433
Banking, insurance, financial services (excluding sovereign)	11,598	-	-	-	-	-	-	11,598	-13	-	-13
Public and government sector (including central banks)	2,149	-	-	-	-	-	-	2,149	-	-	-
Trade finance	1,052	112	-	21	35	93	-	1,313	-	-61	-61
Total gross core loans and advances to customers	115,360	1,887	247	396	625	2,945	2	121,462	-90	-928	-1,018

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

R'million	30 Sept 2009	31 March 2009
Private Banking professional and HNW individuals	85,150	84,560
Corporate sector	20,689	21,842
Banking, insurance, financial services (excluding sovereign)	11,584	11,598
Public and government sector (including central banks)	2,336	2,149
Trade finance	1,314	1,313
Kensington - Mortgage lending	-	-
Total gross core loans and advances to customers	121,073	121,462



Risk management

Collateral

R'million	Collateral held against		Total
	Gross core loans and advances	Other credit and counterparty exposures*	
As at 30 September 2009			
Eligible financial collateral	16,959	2,718	19,677
Listed shares	15,115	1,036	16,151
Cash	1,821	1,682	3,503
Debt securities issued by sovereigns	23	-	23
Mortgage bonds	154,711	340	155,051
Residential mortgages	57,839	305	58,144
Residential development	4,442	-	4,442
Commercial property development	3,413	-	3,413
Commercial property investments	89,017	35	89,052
Other collateral	31,777	2,325	34,102
Unlisted shares	2,892	-	2,892
Bonds other than mortgage bonds	9,293	2,045	11,338
Debtors, stock and other corporate assets	1,792	-	1,792
Guarantees	10,459	234	10,693
Credit derivatives	-	-	-
Other	7,341	46	7,387
Total collateral	203,447	5,383	208,830
Suretyships	28,655	-	28,655
Collateral including suretyships	232,102	5,383	237,485
As at 31 March 2009			
Eligible financial collateral	22,574	3,474	26,048
Listed	20,378	607	20,985
Cash	2,136	2,867	5,003
Debt securities issued by sovereigns	60	-	60
Mortgage bonds	147,657	139	147,796
Residential mortgages	53,398	139	53,537
Residential development	15,081	-	15,081
Commercial property development	13,439	-	13,439
Commercial property investments	65,739	-	65,739
Other collateral	27,888	4,286	32,174
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	4,554	572	5,126
Total collateral	198,119	7,899	206,018
Suretyships	14,543	-	14,543
Collateral including suretyships	212,662	7,899	220,561

* 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.



Risk management

Securitisation/principal finance activities and exposures

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.

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 R3.2 billion as at 30 September 2009, have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis. The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

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

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

Total assets that have been originated and securitised by the Private Bank amount to R8.4 billion (31 March 2009: R9.3 billion) and include auto loans (R0.9 billion), residential mortgages (R6.1 billion) and commercial mortgages (R1.4 billion). These securitisation structures have all been rated by Moody's.

Summary of securitisation/principal finance exposures and activity over the course of the year

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

Nature of exposure/activity	Exposure as at 30 Sept 2009 - R'mn	Exposure as at 31 March 2009 - R'mn	Credit analysis internal risk classification	Asset quality - relevant comments for the period	Capital treatment
Unrated structured credit investments	470	644	On-balance sheet securitisation/principal finance exposure.	During the period we wrote of approximately R20 million against these exposures.	Risk-weighted or supervisory deductions against primary and secondary capital
Net exposure (after impairments) to warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	1,111	1,059	On-balance sheet securitisation/principal finance exposure.	During the period we wrote of approximately R25 million largely against the net investments within these platforms	Risk-weighted depending on rating of counterparty.
Private Banking division assets	8,365	9,309	On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the bank's overall asset quality on core loans and advances.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital
Liquidity facilities provided to third party corporate securitisation vehicles	3,255	3,968	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability on the bank.		Unutilised facility that is risk-weighted



Risk management

Equity and investment risk in the banking book

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

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

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

R'million	Income (pre funding costs) - for the period 30 September 2009			Total	Fair value
	Unrealised	Realised	Dividends, net interest and other		
Six months to 30 September 2009					
Unlisted investments	267	145	59	471	-
Listed equities	137	74	3	214	1
Investment and trading properties	157	-	(1)	156	-
Warrants, profit shares and other embedded derivatives	33	(3)	6	36	-
Total	594	216	67	877	1
Year ended 31 March 2009					
Unlisted investments	489	332	440	1 261	-
Listed equities	(100)	(10)	8	(102)	(3)
Investment and trading properties	239	-	106	345	-
Warrants, profit shares and other embedded derivatives	30	104	11	145	-
Total	658	426	565	1 649	(3)



Risk management

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

R'million	Balance sheet value of investments	Valuation change stress test*	Balance sheet value of investments	Valuation change stress test*
	30 Sept 2009	30 Sept 2009	31 March 2009	31 March 2009
Unlisted investments	5 313	797	4 756	713
Listed equities	1 007	252	1 053	263
Investment and trading properties	4 055	486	2 992	345
Warrants, profit shares and other embedded derivatives	606	212	528	185
Total	10 981	1 747	9 329	1 506

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

Stress test values applied

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

Based on the information as at 30 September 2009, as reflected above we could have a R1.7bn reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.



Risk management

Traded market risk management

Traded market risk description

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

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

Management and measurement of traded market risk

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

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. 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 2008 crisis.

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.

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)

	30 Sept 2009	31 March 2009
R'million		
Commodities	0.1	0.3
Equity derivatives	1.5	2.8
Foreign exchange	2.2	2.9
Interest rates	1.6	0.9
Consolidated*	3.1	4.1
High	17.0	15.3
Low	2.4	2.1
Average	5.1	4.5

*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.

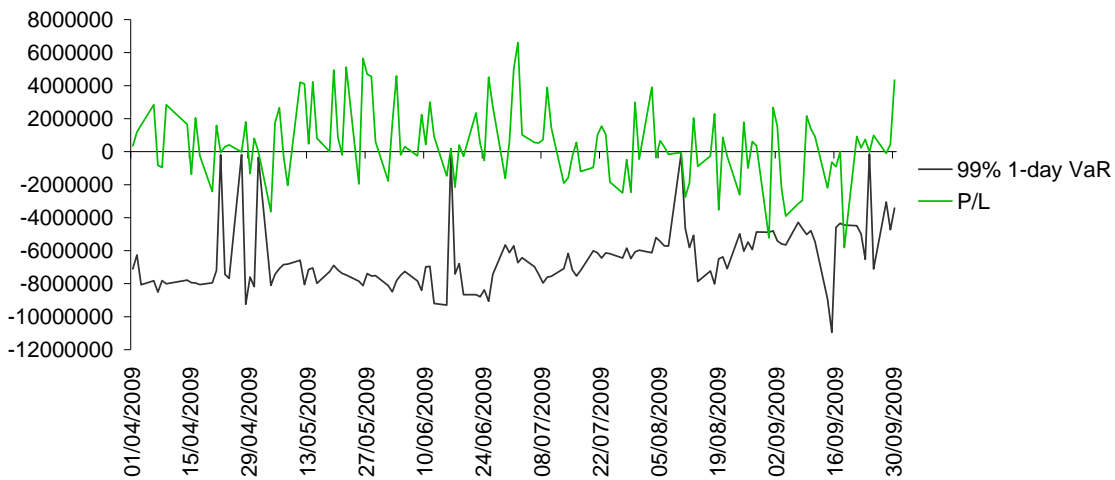


Risk management

Traded market risk management

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 in the 6-month period i.e. where the loss is greater than the VaR. The total number of exceptions for 250 days data is also 2. Both exceptions were in line with the 99% confidence interval expectations.



Risk management

ETL

R'million 95% (one-day)	30 Sept 2009	31 March 2009
Commodities	0.2	0.6
Equity derivatives	2.3	4.4
Foreign exchange	3.6	5.4
Interest rates	2.6	1.4
Consolidated*	4.4	6.8

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

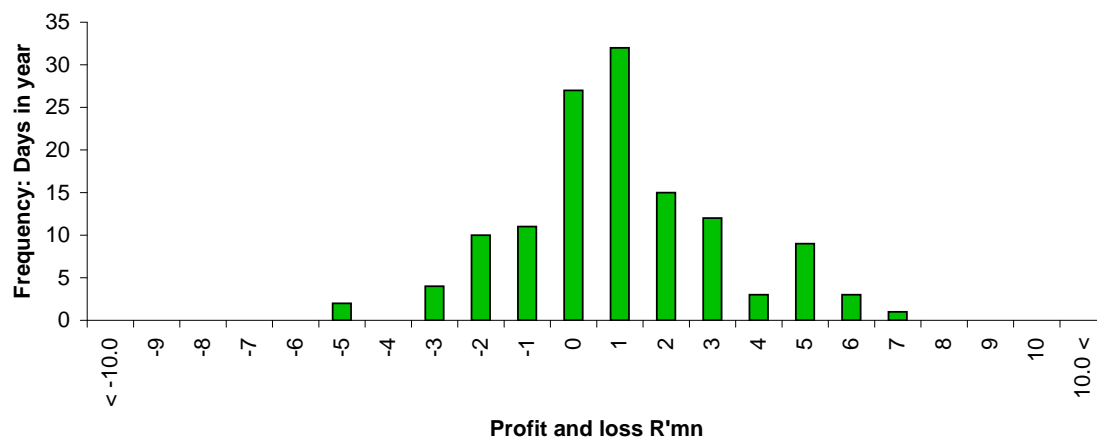
Stress testing

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

R'million	30 Sept 2009	31 March 2009
Commodities	0.9	2.3
Equity derivatives	11.7	21.7
Foreign exchange	16.8	22.1
Interest rates	11.9	7.2
Consolidated	41.3	53.3

Profit and loss histograms

The histogram below illustrates the distribution in daily revenue during the 6 months ending 30 September 2009 for our trading businesses. The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 75 days out of a total of 129 days in the trading business. The average daily trading revenue generated for the six months ending 30 September 2009 was R500 903.





Risk management

Balance sheet risk management

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

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.



Risk management

Interest rate sensitivity gap

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

As at 30 September 2009 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	7 879	-	-	-	-	3 752	11 631
Cash and short-term funds - non-banks	5 954	-	-	-	-	-	5 954
Investment/trading assets	19 178	7 688	1 569	266	201	15 338	44 240
Securitised assets	10 750	41	57	239	23	784	11 894
Advances	95 271	1 145	1 220	10 617	4 381	-	112 634
Other assets	871	-	-	-	-	5 318	6 189
Assets	139 903	8 874	2 846	11 122	4 605	25 192	192 542
Deposits - banks	(9 987)	(145)	(12)	-	-	(33)	(10 177)
Deposits - non-banks	(112 677)	(7 432)	(8 130)	(3 284)	(623)	(1 269)	(133 415)
Negotiable paper	(250)	(657)	(200)	-	-	(15)	(1 122)
Investment/trading liabilities	(1 994)	-	-	-	-	(2 074)	(4 068)
Securitised liabilities	(7 473)	(342)	(116)	(865)	-	-	(8 796)
Subordinated liabilities	(1 141)	-	-	(3 750)	(200)	-	(5 091)
Other liabilities	(2 964)	(206)	(258)	(462)	(136)	(8 368)	(12 394)
Liabilities	(136 486)	(8 782)	(8 716)	(8 361)	(959)	(11 759)	(175 063)
Intercompany loans	182	(375)	99	(450)	93	15	(436)
Shareholders' funds	(2 701)	-	-	-	(1 040)	(13 335)	(17 076)
Balance sheet	898	(283)	(5 771)	2 311	2 699	113	(33)
Off-balance sheet	5 471	(778)	2 447	(4 512)	(2 595)	-	33
Repricing gap	6 369	(1 061)	(3 324)	(2 201)	104	113	-
Cumulative repricing gap	6 369	5 308	1 984	(217)	(113)	-	-

Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, 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	EUR	AUD	Other (ZAR)	
200bp down	-204.9	0.1	1.5	0.8	-0.1	0.6	-184.5
200bp up	188.5	-0.1	-0.5	-0.6	0.1	-0.6	176.7



Risk management

Balance sheet risk management

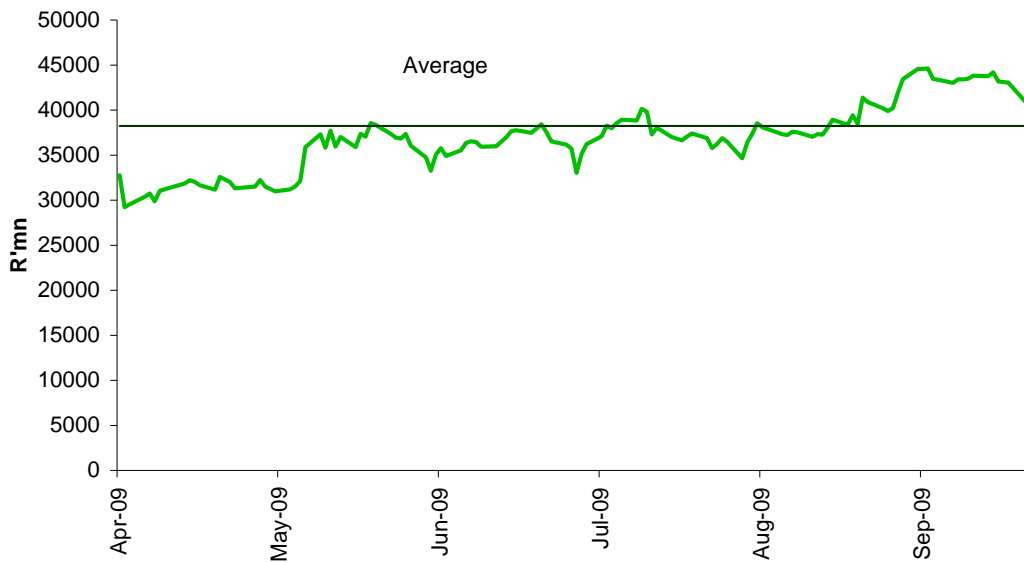
Liquidity risk description

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.

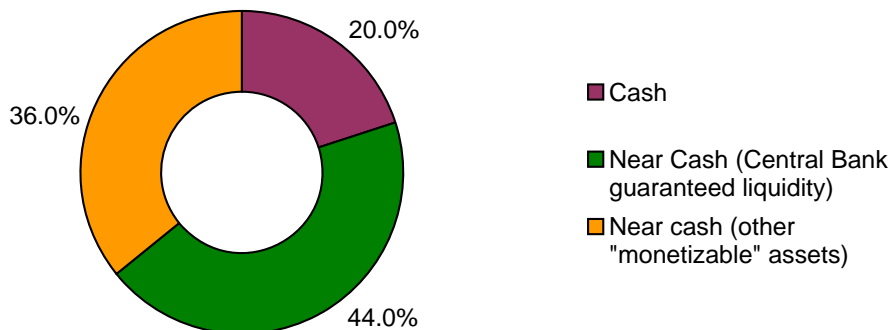
Risk management has become more sophisticated with liquidity risk being no exception and we consider both funding liquidity risk and market liquidity risk.

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.

Investec Limited cash and near cash trend



An analysis of cash and near cash as at 30 September 2009 (R41 485 million)





Risk management

Liquidity mismatch

The tables that follow show our liquidity mismatch.

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

As at 30 September 2009 R'million	Next day	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds - banks*	9 009	1 788	388	19	37	430	307	11 978
Cash and short term funds - non-banks	5 954	-	-	-	-	-	-	5 954
Investment/trading assets**	22 931	10 806	2 117	1 120	1 441	8 417	9 648	56 480
Securitised assets	784	90	78	298	700	3 924	6 020	11 894
Advances	7 271	5 001	8 626	8 911	13 095	41 692	28 008	112 604
Other assets	908	2 056	26	55	46	1 376	2 735	7 202
Assets	46 857	19 741	11 235	10 403	15 319	55 839	46 718	206 112
Deposits - banks	(2 146)	(742)	(329)	(145)	(12)	(6 803)	-	(10 177)
Deposits - non banks	(38 648)	(32 891)	(24 448)	(14 527)	(16 566)	(5 101)	(4 317)	(136 498)
Negotiable paper	-	-	(35)	(657)	(430)	-	-	(1 122)
Securitized liabilities	(113)	(652)	(2 069)	(342)	(116)	(4 324)	(1 180)	(8 796)
Investment/trading liabilities	(1 762)	(1 338)	(1 337)	(1 199)	(1 071)	(6 620)	(1 332)	(14 659)
Subordinated liabilities	-	-	-	-	-	(4 691)	(400)	(5 091)
Other liabilities	(2 855)	(964)	(645)	(1 572)	(887)	(1 448)	(4 393)	(12 764)
Liabilities	(45 524)	(36 587)	(28 863)	(18 442)	(19 082)	(28 987)	(11 622)	(189 107)
Shareholders' funds	-	-	-	-	-	-	(17 005)	(17 005)
Liquidity gap	1 333	(16 846)	(17 628)	(8 039)	(3 763)	26 852	18 091	-
Cumulative liquidity gap	1 333	(15 513)	(33 141)	(41 180)	(44 943)	(18 091)	-	-

Note: contractual liquidity adjustments

R'million	Next day	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	> 5 years	Total
Cash and short term funds - banks*	5,567	1,788	388	19	37	430	3,749	11 978
Investment/trading assets**	6,457	3,717	9,939	10,105	7,109	9,085	10,068	56,480

Behavioural liquidity

R'million	Next day	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	> 5 years	Total
Behavioural liquidity gap	7 054	(832)	(672)	(4 567)	(8 428)	(11 931)	19 377	1
Cumulative	7 054	6 222	5 550	983	(7 445)	(19 376)	1	-



Capital adequacy and capital structure

R'million	30 Sept 2009	31 March 2009	30 Sept 2008
Regulatory capital			
Tier 1			
Share premium	9,875	9,862	9,506
Retained income	8,524	7,872	7,000
Treasury shares	-1,177	-1,758	-1,851
Other reserves	174	340	578
Goodwill	-372	-309	-339
Total Tier 1	17,024	16,007	14,894
Less: deductions	-140	-141	-254
	16,884	15,866	14,640
Tier 2			
Aggregate amount	5,264	5,106	5,227
Less: deductions	-140	-142	-171
	5,124	4,964	5,056
Total capital	22,008	20,830	19,696
Risk-weighted assets (banking and trading)	149,339	146,856	143,147
Credit risk - prescribed standardised exposure classes	121,326	120,331	121,284
Corporates	75,405	96,359	98,220
Secured on real estate property	11,582	10,186	8,214
Counterparty risk on trading positions	3,867	3,678	3,924
Short term claims on institutions and corporates	17,244	3,077	2,252
Retail	6,801	2,640	2,793
Institutions	5,696	3,489	4,842
Other exposure classes	731	902	1,039
Securitised exposures	1,700	1,778	1,302
Equity risk - standardised approach	6,760	6,573	4,924
Listed equities	665	1,009	410
Unlisted equities	6,095	5,564	4,514
Market risk - portfolios subject to internal models approach	2,225	1,805	1,493
Interest rate	294	182	124
Foreign Exchange	401	405	246
Commodities	14	83	52
Equities	1,516	1,135	1,071
Operational risk - standardised approach	17,328	16,369	14,144
Capital requirements	14,186	13,952	13,600
Credit risk - prescribed standardised exposure classes	11,525	11,431	11,522
Corporates	7,164	9,154	9,331
Secured on real estate property	1,100	968	780
Counterparty risk on trading positions	367	349	373
Short term claims on institutions and corporates	1,638	292	214
Retail	646	251	265
Institutions	541	331	460
Other exposure classes	69	86	99
Securitised exposures	162	169	124
Equity risk - standardised approach	642	625	468
Listed equities	63	96	39
Unlisted equities	579	529	429
Market risk - portfolios subject to internal models approach	211	172	142
Interest rate	28	17	12
Foreign Exchange	38	39	23
Commodities	1	8	5
Equities	144	108	102
Operational risk - standardised approach	1,646	1,555	1,344
Capital adequacy ratio	14.7%	14.2%	13.9%
Tier 1 ratio	11.3%	10.8%	10.3%
Capital adequacy ratio - pre operational risk	16.7%	16.0%	15.4%
Tier 1 ratio - pre operational risk	12.8%	12.2%	11.5%



Analysis of rated counterparties in each standardised credit risk exposure class

Credit quality step

	Risk weight	30 Sept 2009		31 March 2009	
		Exposure R'm	Exposure after Credit Risk Mitigation R'm	Exposure R'm	Exposure after Credit Risk Mitigation R'm
Central Banks and Sovereigns:					
1	0%	19,675	19,675	10468	10468
2	20%	-	-	-	-
3	50%	51	51	24	24
4	100%	-	-	-	-
5	100%	-	-	-	-
6	150%	-	-	-	-
Institutions original effective maturity of more than three months:					
1	20%	-	-	-	-
2	50%	386	385	4253	4253
3	50%	9,497	9,492	2368	2368
4	100%	-	-	-	-
5	100%	-	-	-	-
6	150%	-	-	-	-
Short term claims on institutions:					
1	20%	1,518	1,518	2982	2982
2	20%	1,746	1,746	4933	4933
3	20%	3,467	3,467	6477	6477
4	50%	-	-	4	4
5	50%	-	-	-	-
6	150%	-	-	-	-
Corporates:					
1	20%	-	-	186	186
2	50%	277	277	60	60
3	100%	75	75	87	87
4	100%	-	-	99	99
5	150%	-	-	-	-
6	150%	-	-	-	-
Securitisation positions:					
1	20%	267	267	101	101
2	50%	1,476	1,476	2397	2397
3	100%	189	189	189	189
4	350%	116	116	37	37
5	1250%	367	367	360	360
Total rated counterparty exposures		39,107	39,102	35,025	35,025