Investec Bank Limited Group and Company Annual Financial Statements 2010

Out of the Ordinary®

Investec

Specialist Bank and Asset Manager

Investec in perspective

Investec in perspective | ONE

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Who we are

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

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

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

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

What we do

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

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

Values

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

Distinctive Performance

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

Dedicated Partnership

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Mission statement

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

Philosophies

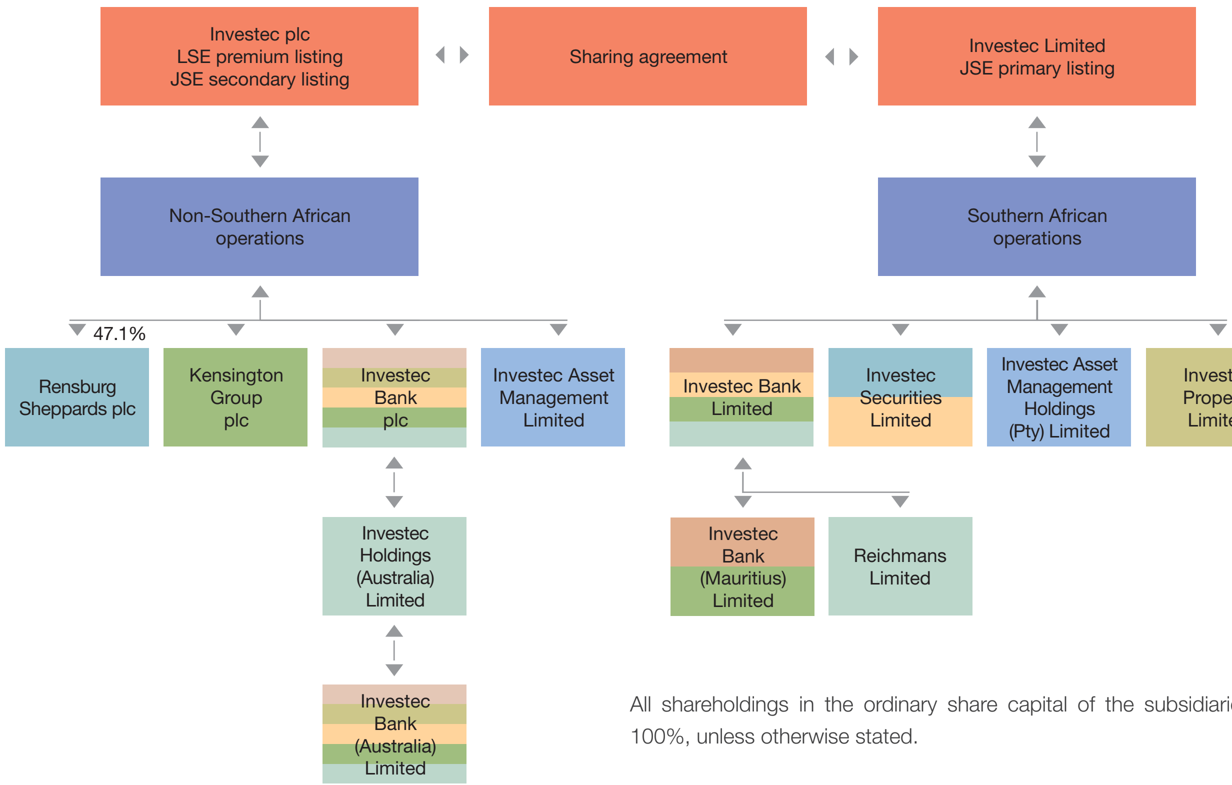
- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

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

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

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

Our DLC structure and main operating subsidiaries



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

Key: activities conducted

- Asset Management
- Private Wealth
- Property Activities
- Private Banking
- Investment Banking
- Capital Markets
- Other Activities

Salient features of the DLC structure

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

Overview of the activities of Investec Bank Limited

Overview of the activities of Investec Bank Limited | **TWO**

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.

We focus on the following activities:

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 midmarket 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.

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.

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.

Capital Markets

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

Capital Markets focuses on the following activities:

Asset and liability management

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

Treasury products and distribution

A broad range of treasury products and services is offered to the corporate and public sector markets. We offer corporate entities deposit product, spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

Interest rates

This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

Foreign exchange

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

Structured equity

The desks undertake structuring, finance, product issuance, market making, arbitrage and principal trading in equities and equity derivatives. We manufacture and deliver a comprehensive suite of solutions to the retail and wholesale markets. Business focus is to develop close relationships with clients, creating product synergies wherever possible.

Financial products

We are involved in financial engineering, preference share investments and structures, equities scrip lending, credit derivatives and the development of investment products.

Principal finance

We are involved in the origination and securitisation structuring and trading of residential mortgages, commercial mortgages, collateralised debt obligations and leveraged loans.

Structured and asset finance

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

Project finance

We provide advisory services, debt arranging and underwriting and equity raising in the infrastructure, power and industrial sectors with a focus on healthcare, telecoms, defence projects, transport and power.

Commodities and resource finance

We offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry together with structured hedging solutions.

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.

Group Services includes the Central Services and Central Funding functions, while Other Activities predominantly includes the International Trade Finance business

Financial review

Financial review | **THREE**

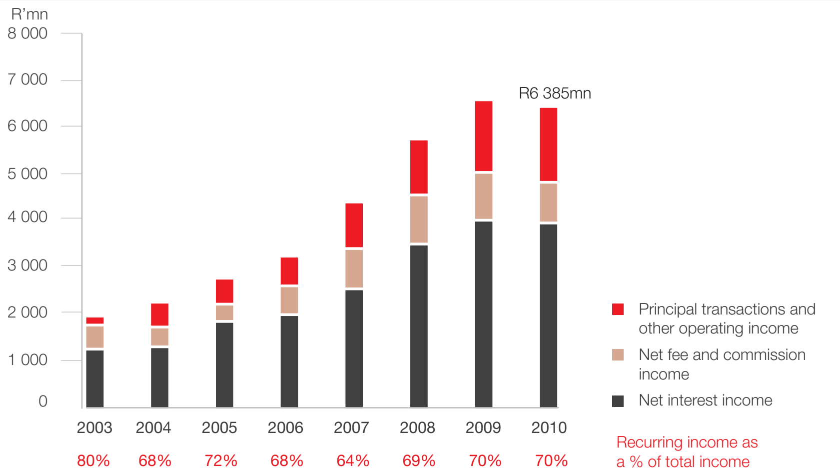
Highlights

- Investec Bank Limited recorded a moderate decline in headline earnings with all divisions profitable
- A diversified business model continues to support a large recurring revenue base, totaling 70.0% of operating income
- The bank has further improved the quality of its balance sheet, with an increase in both capital and liquidity:
  - Tier 1 ratio rose to 11.7%
  - Cash and near cash balances rose 46.7% to R48.0 billion
  - Customer deposits increased by 12.8% to R143.4 billion
  - The ratio of loans to deposits improved from 87.4% to 77.3%
- The credit loss ratio was in line with guidance previously provided at 0.75% and we believe that the credit loss cycle is peaking
- Business units have moved onto the front foot and are taking advantage of new opportunities
- Investment in the Investec brand continues to deliver shareholder value.

Financial features

	31 March 2010	31 March 2009	% change
Operating profit before taxation and headline adjustments and impairments (R'million)	3 384	3 421	(1.1)
Operating profit before taxation and headline adjustments (R'million)	2 526	2 665	(5.2)
Headline earnings attributable to ordinary shareholders (R'million)	1 845	1 901	(2.9)
Cost to income ratio	47.0%	48.3%	
Total capital resources (including subordinated liabilities) (R'million)	21 795	19 286	13.0
Total equity (R'million)	16 454	14 195	15.9
Total assets (R'million)	197 879	181 288	9.2
Net core loans and advances (R'million)	112 263	112 543	(0.2)
Customer accounts (deposits) (R'million)	143 390	127 139	12.8
Capital adequacy ratio	15.5%	14.2%	
Tier 1 ratio	11.7%	10.5%	

Total operating income



Where recurring income is net interest income and annuity fees and commissions.

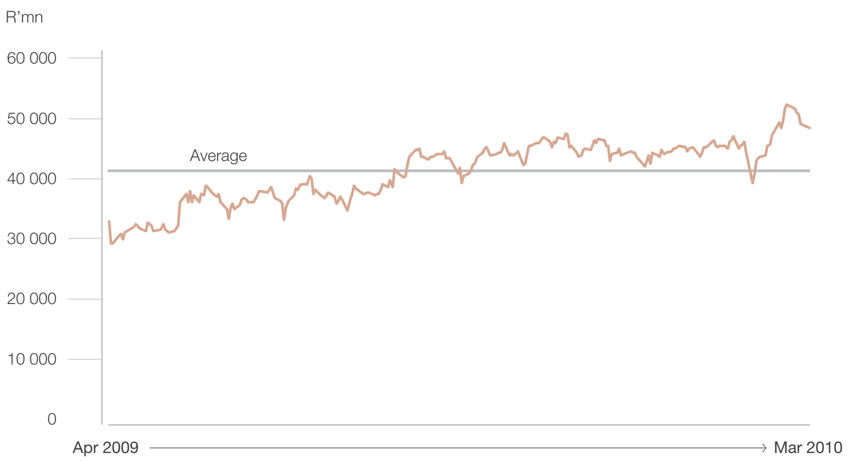
Diversified business model… continues to support a large recurring revenue base

Capital adequacy and Tier 1 ratios

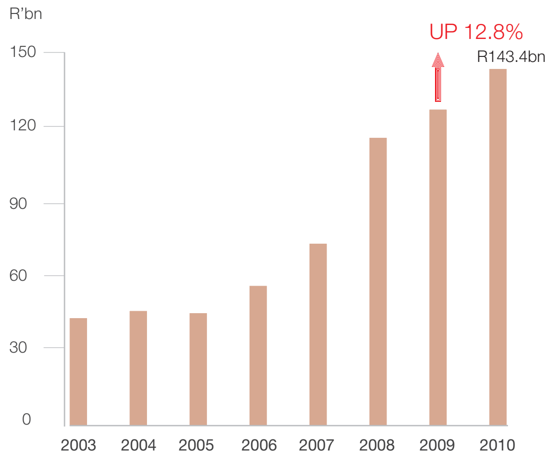
At 31 March 2010	Capital adequacy ratio	Tier 1 ratio
Investec Limited	15.6%	12.1%
Investec Bank Limited	15.5%	11.7%

Improved balance sheet strength… enhanced liquidity through building a diverse customer deposit base

Surplus cash and near cash trend



Customer accounts (deposits)



Improved balance sheet strength… achieved capital targets

- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- The bank has been successful in building its capital base and has met its targets in this period
- Capital strength has been maintained without recourse to shareholders, new investors or government assistance
- A well established liquidity management philosophy
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets – representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Reduced reliance on wholesale funding
  - Private Bank and the Capital Markets divisions have implemented a number of initiatives to increase funding from private client and retail deposits
- Growth in customer deposits of R16.3 billion since 31 March 2009 – up 12.8%
- Advances as a percentage of customer deposits is at 77.3%

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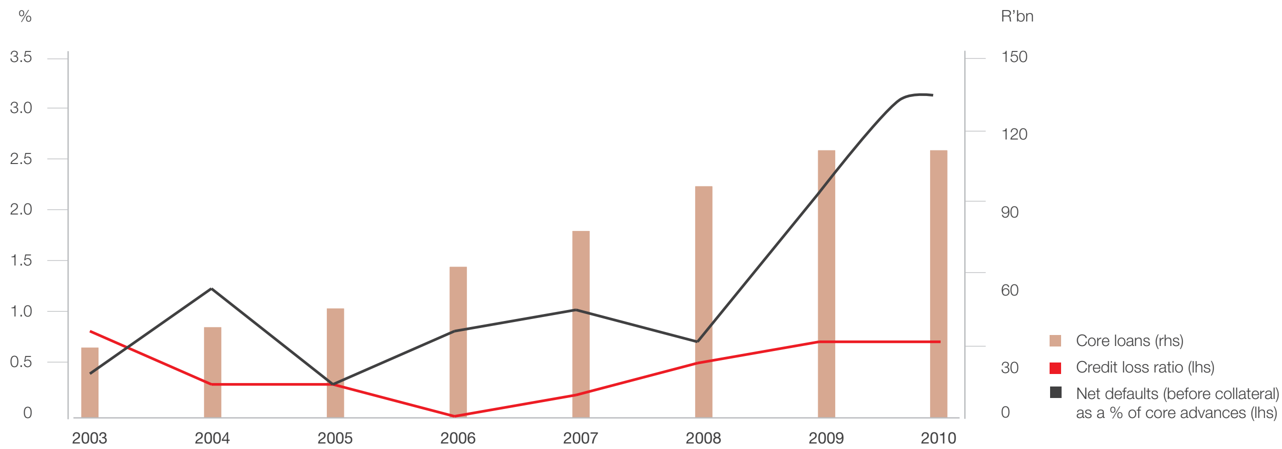
Defaults and core loans



Improved balance sheet strength…impairments and defaults increased but are peaking

- Credit and counterparty exposures are to a select target market
  - 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
- Continued focus on asset quality and credit risk
- The slower pace of economic recovery has caused a delay in the improvement of non-performing loans, however, we started to see signs of improvement towards the end of the period
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) are covered 100%
- The credit loss ratio remains in line with guidance previously provided.

Continue strategy of building our franchise… focus on key revenue drivers

- Generate high quality income through **diversified** revenue streams
- Increase **loan** growth
- Increase **transactional** activity
- Grow customer **deposits.**

Continue strategy of building our franchise... focus on clients and building the brand

- Strengthen existing client relationships
- Provide distinctive products and an increased breadth of services to clients.

Continue strategy of building our franchise…balance operational risk businesses with financial risk businesses

Core advisory and core banking

Operational risk businesses

- Asset and wealth management
- Property funds
- Private equity funds

Overall objectives:

- Containing costs
- Maintaining credit quality
- Strictly managing risk and liquidity

Financial risk businesses

- Lending portfolios
- Principal transactions
- Structured transactions
- Market making

- The Investec group seeks to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses
- This ensures that the group is not over reliant on any one part of its business to sustain its activities and that it has a large recurring revenue base that enables it to navigate through varying cycles and to support its long-term growth objectives
- The group's current strategic objectives include increasing the proportion of its non-lending revenue base which it largely intends to achieve through the continued strengthening and development of its wealth and asset management businesses.

Continue strategy of building our franchise...maintain operational efficiency

- Cost to income ratio is 47.0% (well below our internal target of <55%)
- Total headcount continues to be tightly managed
- A non-cash deferred component has been introduced to variable remuneration payments.

Continue strategy of building our franchise...maintain quality of balance sheet

- Continue to diversify funding sources and reduce reliance on wholesale funding
- Manage risk and maintain credit quality.

Leverage ratios

	31 March 2010	31 March 2009
Core loans to equity ratio	6.8x	7.9x
Core loans (excluding own originated assets which have been securitised) to customer deposits	77.3%	87.4%
Total gearing (assets excluding intergroup loans to total equity)	11.7x	12.3x
Total gearing (excluding intergroup loans and securitised assets)	11.5x	12.1x

Outlook

- We have **built** our capital and liquidity over the period under review
- The **foundation** is now in place for further growth in our core specialist banking businesses
- Although the economic situation remains uncertain the business is oriented towards capturing available **opportunities**.

The global economy has shown some signs of recovery, however, operating fundamentals remain mixed with activity levels below historic trends

The commentary and analysis of the bank's results for the year ended 31 March 2010 provides an overview of our financial performance relative to the bank's results for the year ended 31 March 2009. Further detail on the performance of our business divisions is provided on pages 26 to 28. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the bank going forward.

An overview of the operating environment impacting our business

South Africa

South Africa's general elections took place in April 2009, with the ANC retaining majority but resulting in a switch in leaders from acting President Kgalema Motlhanthe to South Africa's current leader, President Jacob Zuma. Despite unfounded fears that the leader of the ANC would alter economic policies once he gained the presidency, President Zuma proved not only to steer a steady course, but has soothed many opposing sectors while simultaneously providing both policy continuity and improved workings of monetary and fiscal operations. Draft work on current policies, from industrial to education, is aimed at setting South Africa on a higher growth and employment path, one which is achievable given the relatively robust way the country has weathered the international credit crisis.

While South Africa did slip into recession at the end of 2008, which bottomed in the first quarter of 2009, the contraction only lasted three quarters. With quarterly growth of 0.8% at the end of 2009, South Africa is expected to see an improved growth outcome this year, with 2010 averaging 2.7%, and the 2011 forecast running at 3.6%. In addition, the expectation of a fiscal deficit of 7.3% of GDP for 2009/2010 has been revised to 6.8% of GDP, due to improved revenue collection and subdued expenditure. The fiscal deficit was expected at 6.2% for 2010/2011 but this is likely to be revised closer to 5% as the economy grows at a faster pace than Treasury expected. Key is that South Africa itself did not experience a banking crisis due to the well regulated nature of the industry, aided by exchange controls and substantial bank supervision, which prevented any contagion. Instead, South Africa was afflicted by the fact that the international credit crises morphed into a global recession, decimating export markets and causing 8% of the workforce to become unemployed.

The institution of the NCA (National Credit Act) mid 2008 limited consumer indebtedness at the peak of the boom, but did not prevent the private sector from reaching a heady household debt to disposable income ratio of 80% in 2009, well up from 60% in 2005. The previous cumulative 5% hike in interest rates, beginning mid 2006, had little impact on the build up in debt, but coincided with the global economic slowdown, leading to five successive quarters of contraction in household consumption, beginning in the third quarter of 2008. Interest rates were then cut by 5.5% since December 2008, with 3% in the past financial year.

In early 2010, consumer spending showed signs of fragile recovery. CPI inflation continued on its downward path throughout 2009, ending the financial year at 5.1% year-on-year. Key to the easing in inflation has been Rand strength over most of 2009 and 2010, in particular against the Euro, supported by capital inflows into domestic bonds and equities on the back of a re-rating in sovereign risk, and still relatively high South African interest rates. Rand strength was broad based across all major currencies but most pronounced against the Dollar and the Euro.

2009/2010 was a very tough year for the South Africa economy, with over one million jobs lost, but not one which was catastrophic fiscally and South Africa has emerged in a much better position than most developed countries.

United Kingdom

Official data shows the UK lagging other international economies in emerging from recession. After six consecutive falls in output, accounting for a drop of 6¼% of GDP, the economy expanded by 0.4% in Q4 2009 and 0.3% in Q1 2010. The economy contracted by 3.7% in the 2009/2010 financial year. While Q1 2010 looks adversely affected by heavy snowfall, independent surveys point to a faster pace of expansion than officially recorded, suggesting that economic recovery may have started earlier in the UK. The course of this year has seen some encouraging developments: unemployment started to fall sooner than we had hoped and deterioration in public finances was less than government had forecast; both developments point to stronger economic activity.

Yet the public deficit still hit a hefty 11.1% of GDP and it became a central election issue. The MPC extended its process of 'quantitative easing' across the financial year – creating money in exchange for (mainly) government bonds – from a proposed £75 billion in March 2009 to £200 billion, purchases that it completed in January 2010. Since then the committee has become increasingly fretful of a more persistent rate of CPI inflation, which stood at 3.4% at the end of 2009/2010.

Eurozone

The Eurozone economy emerged from recession in Q3 2009, expanding by 0.4% in Q3, but posting softer growth in subsequent quarters. The larger economies of Germany and France led this expansion, posting growth of 0.4% and 0.3% respectively in Q2, both benefiting from international car scrappage schemes and Germany particularly lifted by a revival in world trade and exports to the Far East and China specifically. Growth softened to 0.1% in Q4 and 0.2% in Q1 2010, although survey evidence has suggested a quickening of growth thereafter.

Yet the Eurozone has become embroiled in a government debt crisis that began in October when the new Greek government revealed significant discrepancies in its national accounts, making it the Eurozone's most indebted nation. Greek financing costs rose gradually from here, but the increase accelerated in 2010. A bungled bail-out proposal, impeded by a German government facing a key election, added to market uncertainty and while Greek debt costs soared towards the financial year end there were some signs of worries spilling into other Eurozone economies including Portugal, Ireland and Spain.

The European Central Bank, which had been slower to react to economic slowdown than other international central banks, started this financial year still cutting its key refinancing rate to 1.00%. It then announced a series of technical measures in April 2009 that drove overnight interest rates to hover around 0.35% from July 2009 to the end of March 2010.

Australia

The Australian economy rebounded from just one quarter's contraction in the wake of the Lehman Brothers collapse, but has expanded consistently since then, posting an average quarterly growth rate of 0.7% across 2009/2010 to see annual GDP 1.8% higher. Yet this still sub-trend pace of expansion coincided with a rise in unemployment, which reached a peak of 5.8% in Q3 2009, before easing back to 5.4% by the year's close. The economy benefited from the recovery in Asian markets and exports provided a lift to the economy in the first half of 2009. However, this year has seen momentum spread into domestic demand, with household spending posting solid increases. The Reserve Bank of Australia (RBA) was still easing monetary policy at the start of the financial year and cut its key cash rate to 3.0% in April 2009. Yet the spread of recovery into the domestic economy led the RBA to withdraw some of this stimulus and rates began to rise in August 2009, taking rates to 4.0% by year end.

United States

The US economy started expanding again this year. Q2 2009 posted the fourth consecutive quarterly contraction, reducing GDP by 3.8% from its peak. Q3 saw the economy begin to grow again, expanding by 2.2% (annualised). This was followed by increases of 5.6% and 3.0% in the subsequent quarters, although these figures were boosted by the inventory cycle and growth averaged just 1.3% per quarter excluding this effect. GDP stood 1.0% lower in 2009/2010 compared with 2008/2009. The arbiter of the US economic cycle, the National Bureau of Economic Research, is yet to declare an end to the recession, but the quarterly pattern of growth suggests that this has indeed happened.

The economic downturn also led to a disproportionately aggressive labour market response, with dramatically reduced headcount. This boosted labour productivity, which should bode well for employment trends ahead. Indeed payrolls started to rise again towards the end of the period under review. But pay growth remains subdued and is contributing to a still softening rate of 'core' inflation. The Federal Reserve remains cautious over the economic outlook, and closed all but one of its special operations to support financial markets as conditions improved during 2009/2010. It also completed its 'credit easing' purchases. The Federal Reserve maintained its commitment to leave rates "exceptionally low" for "an extended period" although, since the start of 2010, one member has moved to drop this commitment. Overall the Fed now oversees an economy with a modest growth outlook, not one facing another depression.

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

	31 March 2010 period end	31 March 2009 period end	Average over the period
Market indicators			
FTSE All share	2 910	1 984	2 513
JSE All share	28 748	20 364	25 114
Australia All ords	4 893	3 532	4 400
S&P	1 169	798	1 024
Nikkei	11 090	8 110	9 969
Dow Jones	10 857	7 609	9 534
Exchange rates			
Rand/Pounds Sterling	11.11	13.58	12.38
Rand/Dollar	7.28	9.51	8.40
US Dollar/Euro	1.35	1.33	1.34
Euro/Pounds Sterling	1.12	1.08	1.13
Australian Dollar/Pounds Sterling	1.66	2.07	1.88
US Dollar/Pounds Sterling	1.52	1.43	1.59
Rates			
UK overnight	0.40%	0.63%	0.46%
UK 10 year	3.94%	3.17%	3.75%
UK Clearing Banks Base Rate	0.50%	0.57%	0.51%
LIBOR – 3 month	0.65%	1.65%	0.85%
SA R153 (2010)	6.95%	6.88%	7.23%
SA R157 (2015)	7.95%	8.18%	8.32%
Rand overnight	6.28%	9.16%	7.09%
SA prime overdraft rate	10.00%	13.00%	10.90%
JIBAR – 3 month	6.67%	8.80%	7.40%
Reserve Bank of Australia cash target rate	4.00%	3.25%	3.33%
US 10 year	3.83%	2.67%	3.48%
Commodities			
Gold	USD1 113/oz	USD919/oz	USD1 023/oz
Gas Oil Futures	USD684/mt	USD420/mt	USD552/mt
Platinum	USD1 644/oz	USD1 129/oz	USD1 341/oz
Macro-economic			
UK GDP (% change over the period)	(3.70%)	(1.00%)	n/c
UK per capita GDP (£)	22 578	23 496	–
South Africa GDP (% real growth over the calendar year)	4.60%	3.10%	n/c
South Africa per capita GDP (real value) (R)	35 997	25 897	–
Australia GDP (% change over the period)	1.80%	1.60%	n/c
Per capita GDP (A$)	57 609	55 260	–

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

An overview of our key income drivers

We provide a wide range of financial products and services to a niche client base in South Africa and Mauritius. We are organised as a network comprising three principal business divisions: Private Banking, Investment Banking and Capital Markets.

In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding and other activities, such as our Trade Finance operations.

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

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Private Banking			
	• Interest earned in connection with the bank's lending activities • Fees earned for advisory, banking and lending services	• Size of loan portfolio • Interest rate environment • Levels of activity	• Net interest income • Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions
Investment Banking			
Corporate Finance	• Fees resulting from the provision of capital raising and financial advisory work	• Macro- and micro- economic fundamentals • Industry-specific trends • Underlying stock market activity particularly in our primary markets • Idea generation	• Fees and commissions
Principal Investments	• Sale of investments and revaluation of trading investments • Dividends	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Principal transactions

3

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Capital Markets			
	• Trading and hedging	• Client activity • Market opportunities • Market risk factors primarily volatility and liquidity	• Principal transactions
	• Product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by among other things, the performance of the global markets and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products	• Fees and commissions and principal transactions
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients capital and infrastructural investments	• Fees and commissions • Net interest income • Principal transactions (in certain cases)
	• Advisory	• The demand for our specialised advisory services, which, in turn is affected by applicable tax, regulatory and other economic factors, e.g. project activity in the relevant markets	• Fees and commissions
Group Services and Other Activities			
International Trade Finance	• These businesses earn a variety of management and banking fees, brokerage commissions	A variety of factors including: • Interest rate environment • Rand/Dollar exchange rate in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from associates
Central Funding	• As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)		

Risks relating to our operations

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 with further detail provided in the Risk Management section of this report. 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 35 to 59
Liquidity risk may impair our ability to fund our operations	See pages 67 to 72
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 65 and 66
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 60 to 63
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 72 to 76
Operational risk may disrupt our business or result in regulatory action	See pages 72 to 76
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 72 to 76
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 78 to 84
The financial services industry in which we operate is intensely competitive	See pages 17 to 19
Legal and regulatory risks are substantial in our businesses	See page 77
Reputational, strategic and business risk	See page 77

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.

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2009.

Overview

The bank posted a decrease in headline earnings attributable to ordinary shareholders of 2.9% to R1 845 million (2009: R1 901 million).

Income statement analysis

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

Total operating income

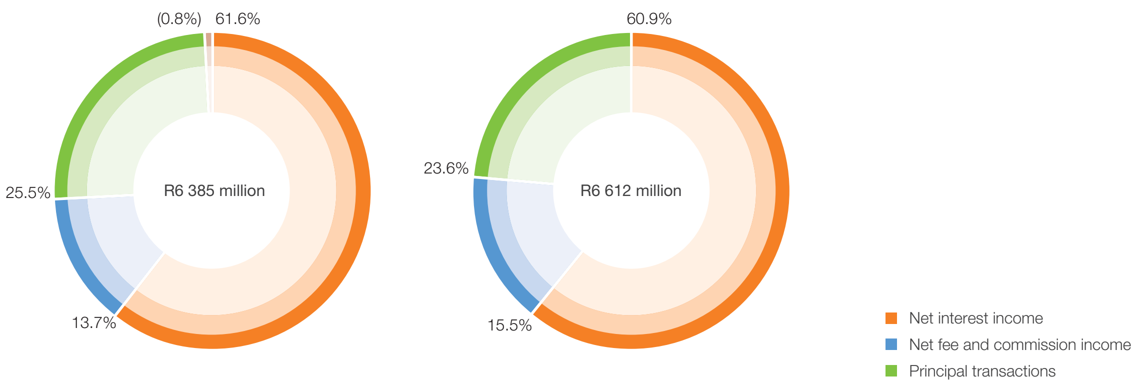
Total operating income before impairment losses on loans and advances of R6 385 million is 3.4% lower than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2010	% of total income	31 March 2009	% of total income	% change
Net interest income	3 931	61.6	4 027	60.9	(2.4)
Other income	2 454	38.4	2 585	39.1	(5.1)
Net fee and commission income	872	13.7	1 026	15.5	(15.0)
Principal transactions	1 629	25.5	1 560	23.6	4.4
Operating loss from associates	(47)	(0.8)	(1)	–	(>100.0)
Total operating income before impairment losses on loans and advances	6 385	100.0	6 612	100.0	(3.4)

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

R'million	31 March 2010	% of total income	31 March 2009	% of total income	% change
Private Banking	2 167	33.9	2 048	31.0	5.8
Investment Banking	781	12.2	1 249	18.9	(37.5)
Capital Markets	1 918	30.0	2 232	33.8	(14.1)
Group Services and Other Activities	1 519	23.8	1 083	16.3	40.3
Total operating income before impairment losses on loans and advances	6 385	100.0	6 612	100.0	(3.4)

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



31 March 2010 31 March 2009

Net interest income

Net interest income decreased by 2.4% to R3 931 million (2009: R4 027 million) largely as a result of a lower return generated on excess capital held given the declining rate environment.

Net fee and commission income

Net fee and commission income decreased by 15.0% to R872 million (2009: R1 026 million). Transactional activity remains mixed and below historic trends.

Principal transactions

Income from principal transactions increased by 4.4% from R1 560 million to R1 629 million. The bank benefited from an improved return on some of the investments within the Central Funding division. The underlying assets within the Principal Investments portfolio delivered a sound performance, whilst trading conditions within the Capital Markets division remained difficult as a result of declining volatility levels.

3

Impairment losses on loans and advances

The weaker credit cycle has caused a decline in the performance of the bank's loan portfolio resulting in an increase in impairment losses on loans and advances from R756 million to R858 million. The credit loss charge as a percentage of average gross loans and advances is 0.75%, marginally higher than the 0.72% reported at 31 March 2009. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 2.2% to 3.4% since 31 March 2009. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.54 times (2009: 1.43 times). Further information on our asset quality is provided on pages 49 to 58.

Total expenses

The ratio of total operating expenses to total operating income improved from 48.3% to 47.0%.

Total expenses decreased by 6.0% to R3 001 million (2009: R3 191 million). Total headcount is being closely monitored and expense growth (excluding variable remuneration) is targeted below the inflation rate. Total staff compensation costs decreased by 8.9% to R1 928 million (2009: R2 116 million), resulting in a compensation ratio of 30.2% (2009: 32.0%). Other operating expenses are in line with the prior year at R1 073 million.

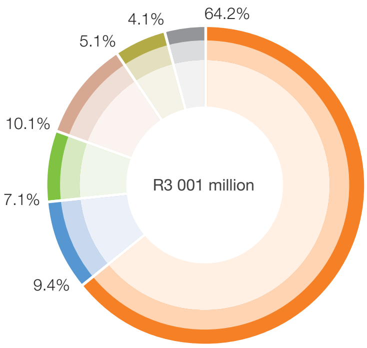
The various components of total expenses are analysed below.

R'million	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Staff costs (including directors' remuneration)	1 928	64.2	2 116	66.4	(8.9)
Business expenses	283	9.4	330	10.3	(14.2)
Equipment (excluding depreciation)	213	7.1	256	8.0	(16.8)
Premises (excluding depreciation)	302	10.1	246	7.7	22.8
Marketing expenses	153	5.1	165	5.2	(7.3)
Depreciation	122	4.1	78	2.4	56.4
Total expenses	3 001	100.0	3 191	100.0	(6.0)

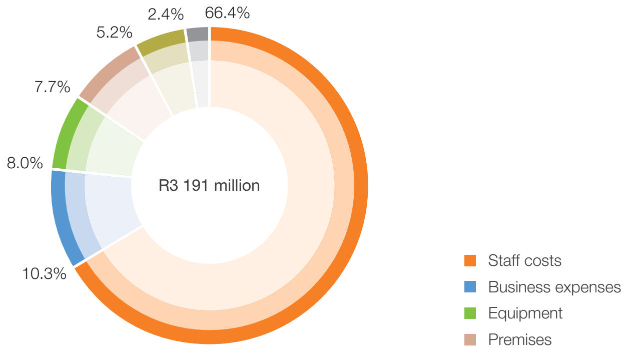
The following table sets out certain information on total expenses by division for the year under review.

R'million	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Private Banking	1 339	44.6	1 348	42.2	(0.7)
Investment Banking	219	7.3	429	31.6	(49.0)
Capital Markets	967	32.2	1 007	13.4	(4.0)
Group Services and Other Activities	476	15.9	407	12.8	17.0
Total expenses	3 001	100.0	3 191	100.0	(6.0)

% of total expenses



31 March 2010



31 March 2009

Balance sheet analysis

Since 31 March 2009:

- Total shareholders' equity (including minority interests) increased by 15.9% largely as a result of retained earnings and the issue of shares
- Total assets increased by 9.2% to R197.9 billion largely as a result of increased cash holdings.

Business unit review

An analysis of the performance of each business unit is provided.

Segmental information

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
2010					
Operating income	1 675	752	1 805	1 295	5 527
Operating expenses	(1 339)	(219)	(967)	(476)	(3 001)
Operating profit before taxation	336	533	838	819	2 526
Cost to income ratio	61.8%	28.0%	50.4%	31.3%	47.0%
2009					
Operating income	1 792	1 195	1 878	991	5 856
Operating expenses	(1 348)	(429)	(1 007)	(407)	(3 191)
Operating profit before taxation	444	766	871	584	2 665
Cost to income ratio	65.8%	34.3%	45.1%	37.6%	48.3%

Private Banking

Overview of performance

The Private Banking division posted a decrease in operating profit of 24.3% to R336 million (2009: R444 million). The division focused resources during the period on substantially increasing its deposit book by 26.1% to R51.2 billion (2009: R40.6 billion). However, while the private client core lending book grew by 4.6% to R79.6 billion (2009: R76.1 billion) activity levels declined and impairment losses on loans and advances increased. Funds under advice decreased 4.6% to R20.9 billion (2009: R21.9 billion).

Developments

- The second half of the financial year saw an improvement in performance as deposit margins restored to normalised levels following a significant squeeze in the first half
- Deposit raising became more difficult due to the sideways movement of interest rates coupled with intense competition within the market. Growth achieved in the first half was not sustained
- Loan book growth remained suppressed due to lower activity levels and reduced settlements
- The rate at which loans moved into default slowed significantly towards the end of the period.

Outlook

- The business has come through the global banking crisis intact. The objectives set last year and delivered on in the current period providing a solid foundation for the Private Bank on which to build. This will enable us to be front footed and client focused, taking advantage of identified opportunities in a much changed competitive environment
- We expect impairments to decrease from the high experienced during this period
- Critical objectives for the coming period are to:
  - Grow and consolidate our position as a dominant player in the retail saving and deposit markets with continued investment in our product and distribution platform
  - Grow our loan portfolio in a recovering market
  - Manage non-performing loans and impairments as we come through the cycle
  - Continually align our cost base and level of investment to expected future revenue
  - Above all, to build our brand and market positioning around the ‘entrepreneurial class’ delivering a specialised offering to this client base
- The risk of a worsening of the current economic environment remains. This will impact activity levels, impairments and the cost of money.

Investment Banking

Overview of performance

Operating profit of the Investment Banking division decreased by 30.4% to R533 million (2009: R766 million). The Corporate Finance division generated lower fee income in comparison to the prior year. The investments held within the Principal Investment portfolio generated a steady performance. The division, however, recorded lower revaluations and fewer realisations in the current year.

Developments

Corporate Finance

- We maintained our strong positioning with a similar level of activity to that of the prior year
- Our main focus was on M&A and restructuring transactions
- We retained all our major clients and gained several new mandates during the period
- The total value of Corporate Finance transactions increased to R26.8 billion (2009: R23.4 billion) during the period and the number of transactions decreased to 56 (2009: 60)

- Sponsor broker deals completed during the period decreased to 82 (2009: 96) with the value also decreasing to R46.7 billion (2009: R51 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and first in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2009 calendar year). This is the sixth year out of seven that we have been awarded the M&A Gold Medal. We were also awarded “Dealmaker of the Decade” by volume
- The Sponsor division was ranked first in volume of M&A transactions and second in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2009 calendar year). This is the seventh 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 (2009 calendar year).

Principal Investments

- The Direct Investments portfolio decreased to R1 587 million at 31 March 2010 (March 2009: R1 816 million). The decrease in value was primarily due to realisations on listed equities
- The Private Equity portfolio was R3 301 million at 31 March 2010 (March 2009: R2 525 million). We continued to expand the capacity of our private equity investments through the acquisition of two new private equity assets, two bolt on acquisitions within the portfolio and large capital projects and expenditure. The benefits of these activities will only be felt in future financial years. The increase in value in the current year was driven by a good performance of the underlying investments and acquisitions mentioned.

Outlook

Corporate Finance

- M&A and restructuring transactions are expected to continue to drive activity at a reasonable level.

Principal Investments

- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building 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.

Capital Markets

Overview of performance

The Capital Markets division posted a decrease in operating profit of 3.8% to R838 million (2009: R871 million). In line with the bank’s liquidity management policies, the Central Treasury division has been successful in increasing the bank’s cash and near cash balances held. Given the declining rate environment, the division’s results have, however, been impacted by a reduced return on the excess cash held. In addition, the results have been impacted by lower levels of activity with the division’s lending book declining by 11.4% to R28.8 billion (2009: R32.5 billion).

Developments

- Activity levels in our Specialised Lending businesses were subdued and our core advances book showed a net year on year decrease
- Average margins were however maintained throughout the year
- Impairments reduced substantially from the prior year and were in line with anticipated levels
- We continue to hold a number of equity positions emanating from our lending activities and the overall impact on profits was negative but an improvement on the prior year. We anticipate a number of realisations over the next 12 months
- We took advantage of certain dislocations in the credit markets (local and international) and created a portfolio of highly rated yield enhancing credit transactions
- Client flows continued to decrease across our Financial Market Derivative businesses and this negatively affected the results from Equity and Foreign Exchange Treasury and Trading Activities. Results from Interest Rate Activities remained consistent. We did however maintain or increase market share across all market segments in which we operate. We continue to hold significant market share in listed derivative products

- Significant surplus liquidity levels were maintained throughout the year. This is invested in highly liquid assets and we continue to be a provider of liquidity to the interbank market.

Outlook

- We are a focused business targeting markets where we can be distinctive and competitive
- We remain committed to building a sustainable business franchise with diversified revenue streams
- We will continue to strive for depth and greater penetration
- The effects of the recession have lead to reduced activity in the structuring and lending businesses and trading volumes are down. Reduced activity is to some extent offset by wider margins and the landscape for PFI has improved
- The division is well positioned for any potential upturn in the general economy, although we do not expect this until the second half of the financial year
- The overall credit portfolio is robust with higher margins
- Volumes and activity in the financial markets remain subdued and therefore trading and structuring opportunities are expected to remain at lower levels for at least the first half of the next financial year
- We anticipate growing both our credit portfolio and investment product retail offerings which will increase the level of annuity based income
- We anticipate that we will continue to be a net provider of liquidity to the interbank market and plan to increase the average duration of our wholesale funding base.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a 40.2% increase in operating profit to R819 million (2009: R584 million), benefitting from an improved return on certain investments held in the Central Funding portfolio.

Risk and governance

Risk and governance | **FOUR**

Group Risk Management 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

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 31 to 85) with further disclosures provided within the financial statements section (pages 113 to 180). 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, quantifying, managing and mitigating the risks associated with each of our businesses.

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

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

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

Overall summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 17 to 19.

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

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, continued to experience an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio increased marginally to 0.75% of core loans and advances, in line with guidance provided previously
- Limited exposure to rated and unrated structured credit investments; representing less than 1.7% of total assets

- A low leverage (gearing) 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 0.1% 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 0.6% 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
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have continued to strengthen our capital base and increased our net tangible asset value during the period
- Operational diversity with a high level of recurring income which continues to support sustainability of operating profit, albeit at a lower level.

The global financial market crisis and weakened global economies have resulted in increasing risk levels and have impacted the markets in which we operate on a number of fronts over the past two years. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead. Maintaining credit quality, strictly managing risk and liquidity and continuing to grow our capital base remain core strategic imperatives.

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 42, 63 and 72), with a high level summary of the most salient aspects provided below.

Credit risk: The impact of lower average interest rates has yet to make a significant mark on key credit and arrear indicators. The credit quality of our core loans and advances deteriorated throughout the year under review with the majority of impairments raised in the Private Bank division. There has, however, been a slow down in the number of default loans in the second half of the financial year and impairments appear to have peaked.

Traded market risk: Markets have been relatively difficult to gauge over the past year resulting in a significant decline in client flow and trading activity.

Balance sheet risk: The interest rate environment was stable and relatively uneventful during the financial year. The cost of term deposits, however, rose steadily throughout 2009 which placed interest rate margins under pressure. This was compensated for by higher yields earned on liquid and trading assets. The Private Bank aggressively grew its deposit book and moderated its asset base resulting in a substantial increase in surplus cash reserves which we placed largely in higher yielding treasury bills. Our liquidity position was further boosted by several successful medium term senior and subordinated notes issues totaling over R4 billion. Cash and near cash balances increased significantly over the period.

Maintaining credit quality, strictly managing risk and liquidity and continuing to grow our capital base remain core strategic imperatives

Salient features

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

	31 March 2010	31 March 2009
Net core loans and advances (million)	R112 263	R112 544
Gross defaults as a % of gross core loans and advances	4.08%	3.07%
Defaults (net of impairments) as a % of net core loans and advances	3.42%	2.21%
Credit loss ratio (%)^	0.75%	0.72%
Structured credit investments as a % of total assets (%)	1.7%	0.7%
Traded market risk: one-day value at risk (million)	2.5	4.0
Cash and near cash (million)	R47 986	R32 704
Customer deposits (million)	R143 390	R127 139
Core loans to equity ratio (times)	6.8	7.9
Total gearing/leverage ratio (times)**	11.7	12.3
Core loans (excluding own originated assets which have been securitised) to customer deposits	77.3%	87.4%
Capital adequacy ratio	15.5%	14.2%
Tier 1 ratio	11.7%	10.5%

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

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

An overview of key risks

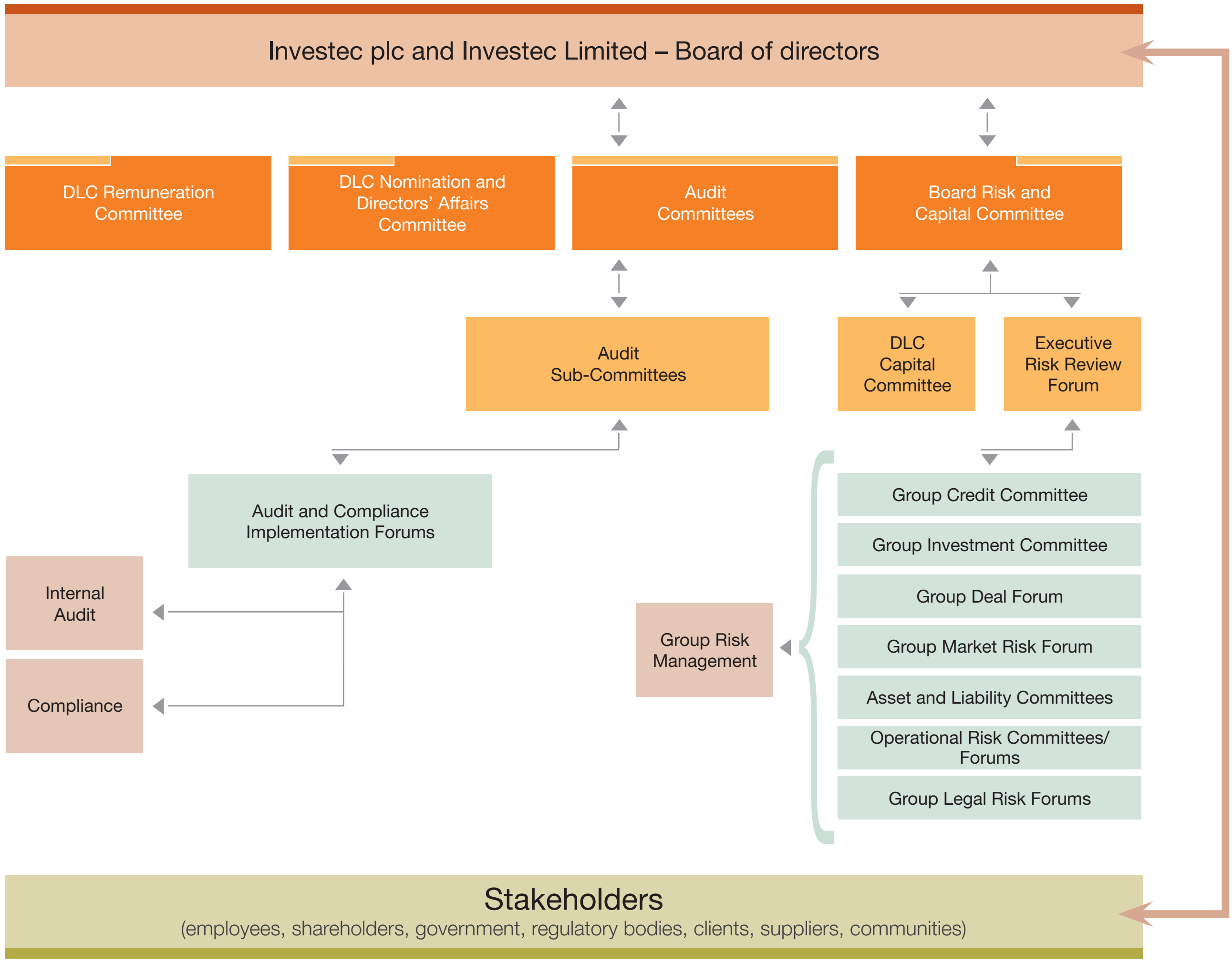
In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 22. The sections that follow provide information on a number of these risk areas.

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.

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.

Our governance framework



In the sections that follow the following abbreviations are used on numerous occasions:

BRCC	Board Risk and Capital Committee
ERRF	Executive Risk Review Forum
SARB	South African Reserve Bank

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
- 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 involvement and non-executive review and oversight 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 processes 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
- Arrears, Default and Recoveries Forum which specifically reviews and manages distressed loans and potentially distressed loans within the Private Bank division.

Whilst we do not have a separate country risk committee, 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 59 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, parastatals, government, institutions and banks. Corporates must have scale, relevance, experienced management, able board members and strong earnings/cash flow. Interbank lending is reserved for those banks and institutions in the group's core geographies of activity, which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures tend to be avoided.

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to page 43 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, capital usage and liquidity. 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
- 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.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents and implemented by 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 a 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, 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 sovereigns, Fitch has been selected by Investec as the primary ECAI, with Standard & Poors or Moodys being used as support where a Fitch rating is not available
- In relation to banks and securities firms, Fitch has been selected by Investec as the primary ECAI, with Standard & Poors being used as support where a Fitch rating is not available
- In relation to corporates, and small to medium enterprises, both Standard & Poors and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

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 finance, private client lending, specialised lending 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.

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.

As part of the daily management of liquidity, the treasury function places funds with central banks (the SARB) and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature.

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 resource project 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.

ReichmansCapital

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

Credit and counterparty risk in Mauritius

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

Asset quality analysis – credit risk classification and provisioning policy

Audited

It is a policy requirement overseen by Central Credit Management that each operating division 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 below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see pages 49 and 50). 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.

Credit risk arises mainly through our Private Banking and Capital Markets activities, although some credit and counterparty risk does arise in other businesses

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="2">Performing assets</td><td rowspan="2">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.</td><td>Past due</td><td>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.</td></tr>
<tr><td>Special mention</td><td>The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfill their credit obligation to the group (i.e. Watchlist Committee is concerned) for the following reasons:
• Covenant breaches;
• There is a slowdown in the counterparty's business activity;
• An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or
• Any restructured credit exposures until appropriate Watchlist Committee decides otherwise.

Ultimate loss is not expected, but may occur if adverse conditions persist.
Supplementary reporting categories:
• Credit exposures overdue 1 – 60 days
• Credit exposures overdue 61 – 90 days.</td></tr>
</table>

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="3">Assets in default</td><td rowspan="3">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.</td><td>Sub-standard</td><td>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).</td></tr>
<tr><td>Doubtful</td><td>• 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.</td></tr>
<tr><td>Loss</td><td>• 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.</td></tr>
</table>

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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 often 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, as a result of the global economic slowdown, downward pressure on the value of commercial and residential real estate continued in the first half of the financial year with low/static growth in the latter part of the financial year. Residential and commercial property valuations will continue to form part of our increased focus on collateral assessment.

It is our policy to obtain a formal valuation, 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 are 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; and
- 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 59.

Credit and counterparty risk year in review

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk:

- The impact of the global financial crisis on the current domestic economic cycle
- Continuation of a conservative lending approach with some relaxation towards the end of the first quarter of 2010
- Reduced discretionary spending, even in a lower interest rate environment
- Early signs of the domestic economy emerging out of recession in first quarter of 2010
- Increased interbank activity reflecting the reversal of the previous year's liquidity constraints
- Strong appreciation in the value of the Rand (especially the first and second quarter of 2010) against major trading currencies, with the largest appreciation against the US Dollar
- Market volatility continued with the JSE reflecting growth of 41% year on year
- The property market remains under pressure with low or static growth across the residential and commercial property markets.

We are conscious of the effect of the slowdown of growth in the property market (both global and local) and the impact on our portfolio secured by property. 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 2010 the average loan to value ratio within the property development portfolio stood at 69% based on net sell out values.

Lower levels of volatility relative to the 2009 financial year have resulted in lower profitability levels and exposure for the majority of our trading divisions.

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. 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 although there has been some downward pricing pressures towards the end of the first quarter of 2010.

Credit quality on gross core loans and advances deteriorated throughout the year under review, with the majority of impairments raised in the Private Bank division, distributed between the residential and commercial property portfolios. These defaults largely comprise a relatively small number of clients where finance was provided at reasonably conservative loan to values but with no obvious serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay. There has, however, been a slowdown in the number of default loans in the second half of the financial year.

Investec Capital Markets reported no material defaults for the current financial year. Two material write offs occurred on default exposures within the Specialised and Resource finance divisions, which had been impaired in the previous financial year. In addition the Resource Finance division received a substantial recovery from Export Credit Insurance Corporation, utilised to partially settle a historical default exposure.

Core loans and advances remained flat at R112 billion. Default loans (net of impairments) as a percentage of core loans and advances increased from 2.21% to 3.42%. The credit loss ratio has increased from 0.72% to 0.75% in line with previous guidance provided. 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

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.

South Africa

In South Africa, our securitisation business, which forms part of our Structured Finance unit, was established approximately nine 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 R2.4 billion as at 31 March 2010, have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to page 44). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

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

In addition, we have, securitised assets that 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 R1.4 billion (2009: R1.4 billion). These securitisation structures have all been rated by Moody's.

Credit and counterparty risk information

Pages 35 to 43 describe where and how credit risk is assumed in our operations. The tables that follow provide an analysis of the our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 6.3% to R210 844 million largely as a result of the increase in cash and near cash balances over the period. Cash and near cash balances increased by 46.7% to R47 986 million and are largely reflected in the following line items in the table below: debt instruments; bank placements; sovereign, government placements. Core loans and advances remained flat.

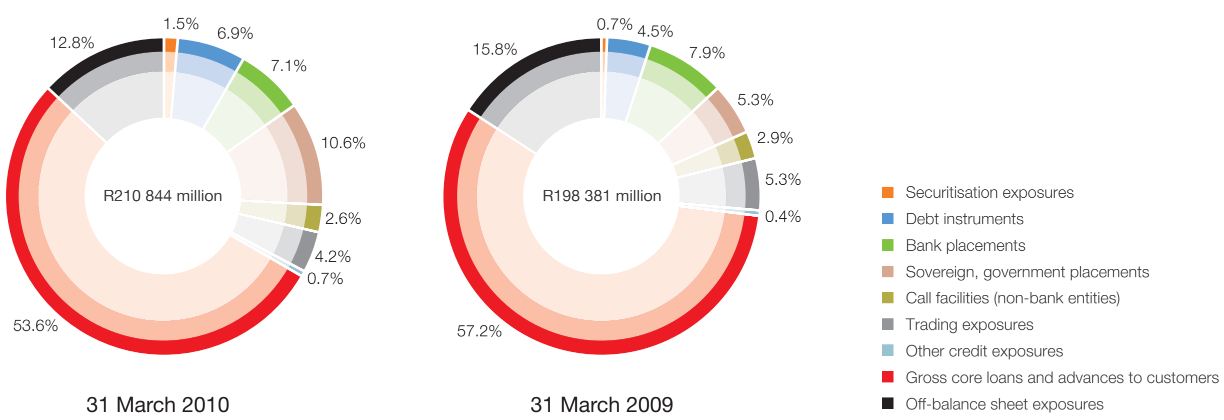
Audited R'million	31 March 2010	31 March 2009	% change	Average*
On-balance sheet exposures	**184 027**	**167 241**	**10.0**	**175 634**
Securitisation exposures arising from securitisation/principal finance activities	3 204	1 467	>100.0	2 334
Rated instruments	1 794	-	>100.0	897
Unrated instruments	287	329	(12.8)	308
Other	1 123	1 138	(1.7)	1 129
Debt instruments (NCDs, bonds held, debentures)	14 631	8 896	64.5	11 764
Bank placements	14 966	15 660	(4.4)	15 313
Sovereign, government placements	22 285	10 468	>100.0	16 377
Call facilities (non-bank entities)	5 573	5 755	(3.2)	5 664
Trading exposures (positive fair value excluding potential future exposures)	8 929	10 564	(15.5)	9 747
Other credit exposures	1 399	881	58.8	1 140
Gross core loans and advances to customers**	113 040	113 550	(0.4)	113 295
Off-balance sheet exposures	**26 817**	**31 140**	**(13.9)**	**28 979**
Guarantees^	4 163	7 494	(44.5)	5 829
Contingent liabilities, committed facilities, other	22 654	23 646	(4.2)	23 150
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**210 844**	**198 381**	**6.3**	**204 613**

Where the average is based on a straight line average.

***As calculated on page 49.*

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

An analysis of gross credit and counterparty exposures



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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.

Audited R'million	Securitisation exposures arising from securitisation/principal finance activities Total	Rated instruments	Unrated instruments	Other	Debt instruments (NCDs, bonds held, debentures)
As at 31 March 2010					
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	–	–	–	–	1 326
Trading securities	134	–	134	–	12 068
Derivative financial instruments	–	–	–	–	–
Investment securities	1 869	1 794	75	–	1 237
Loans and advances to customers	1 110	–	23	1 087	–
Securitised assets	91	–	55	36	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Intangible assets	–	–	–	–	–
Intergroup	–	–	–	–	–
Total	3 204	1 794	287	1 123	14 631
As at 31 March 2009					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Trading securities	252	–	252	–	8 403
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

1. Largely relates to exposures that are classified as equity risk in the banking book.

2. Relates to impairments offset by intercompany exposures which we deem to have no credit exposure.

3. Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures to the bank.

	Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
	43	3 617	–	–	–	–	3 660	–		3 660
	12 942	–	–	301	2	–	13 245	–		13 245
	–	–	5 573	–	882	–	6 455	–		6 455
	1 977	–	–	473	–	–	3 776	–		3 776
	–	18 668	–	624	–	–	31 494	4 881	1	36 375
	–	–	–	7 379	–	–	7 379	450	1	7 829
	–	–	–	–	471	–	3 577	28		3 605
	–	–	–	–	–	111 667	112 777	(858)	2	111 919
	–	–	–	–	–	1 373	1 464	2 067	3	3 531
	–	–	–	–	–	–	–	22		22
	4	–	–	152	44	–	200	724		924
	–	–	–	–	–	–	–	180		180
	–	–	–	–	–	–	–	164		164
	–	–	–	–	–	–	–	5		5
	–	–	–	–	–	–	–	96		96
	–	–	–	–	–	–	–	6 093		6 093
	14 966	22 285	5 573	8 929	1 399	113 040	184 027	13 852		197 879
	24	3 134	–	–	–	–	3 158	–		3 158
	9 588	–	–	475	–	–	10 063	–		10 063
	–	–	5 158	–	45	–	5 203	–		5 203
	6 048	–	597	269	–	–	6 914	–		6 914
	–	7 334	–	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
	15 660	10 468	5 755	10 564	881	113 550	167 241	14 047		181 288

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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 2010					
On-balance sheet exposures	80 696	438	1 174	23 885	1 536
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	230	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	22 285	–
Call facilities (non-bank entities)	–	50	–	–	336
Trading exposures (positive fair value excluding potential future exposures)	192	10	222	–	338
Other credit exposures	472	–	–	1	–
Gross core loans and advances to customers	80 032	378	722	1 599	862
Off-balance sheet exposures	20 056	–	18	–	53
Guarantees	2 745	–	18	–	53
Contingent liabilities, committed facilities, other	17 311	–	–	–	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	100 752	438	1 192	23 885	1 589
As at 31 March 2009					
On-balance sheet exposures	77 244	370	1 159	12 617	2 481
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
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	23 328	–	1	–	221
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	100 572	370	1 160	12 617	2 702

Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
51 246	3 533	8 973	3 373	1 546	1 935	5 692	184 027
3 113	91	–	–	–	–	–	3 204
1 794	–	–	–	–	–	–	1 794
232	55	–	–	–	–	–	287
1 087	36	–	–	–	–	–	1 123
14 350	–	–	–	–	–	51	14 631
14 966	–	–	–	–	–	–	14 966
–	–	–	–	–	–	–	22 285
1 462	1 224	1 804	–	259	–	438	5 573
6 524	660	206	510	34	44	189	8 929
883	3	26	–	14	–	–	1 399
9 948	1 555	6 937	2 863	1 239	1 891	5 014	113 040
4 333	83	325	8	1 015	309	617	26 817
987	–	211	–	147	–	2	4 163
3 346	83	114	8	868	309	615	22 654
55 579	3 616	9 298	3 381	2 561	2 244	6 309	210 844
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

4

Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 70.8% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A description of the type of lending we undertake within the Private Bank is provided on page 37. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A description of the type of lending we undertake within the Capital Markets division is provided on page 37.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual Private Banking clients.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
HNW and professional individuals	80 032	76 650	20 720	23 922	100 752	100 572
Agriculture	378	315	60	55	438	370
Electricity, gas and water (utility services)	722	772	470	388	1 192	1 160
Public and non-business services	1 599	2 149	22 286	10 468	23 885	12 617
Business services	862	2 110	727	592	1 589	2 702
Finance and insurance	9 948	11 596	45 631	41 665	55 579	53 261
Retailers and wholesalers	1 555	3 063	2 061	2 381	3 616	5 444
Manufacturing and commerce	6 937	3 122	2 361	2 972	9 298	6 094
Real estate	2 863	3 986	518	601	3 381	4 587
Mining and resources	1 239	2 260	1 322	823	2 561	3 083
Leisure, entertainment and tourism	1 891	1 486	353	99	2 244	1 585
Transport and communication	5 014	6 041	1 295	865	6 309	6 906
Total	113 040	113 550	97 804	84 831	210 844	198 381

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

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

- 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. Information on our securitisation and principal finance activities is provided on page 43.

Calculation of core loans and advances to customers

Audited R'million	31 March 2010	31 March 2009
Loans (pre-impairments) as per balance sheet	112 773	113 233
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(1 106)	(1 089)
Add: own-originated securitised assets	1 373	1 406
Gross core loans and advances to customers (pre-impairments)	113 040	113 550

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers. An overview of developments during the financial year is provided on page 42.

Audited R'million	31 March 2010	31 March 2009
Gross core loans and advances to customers	113 040	113 550
Total impairments	(777)	(1 006)
Portfolio impairments	(320)	(88)
Specific impairments	(457)	(918)
Net core loans and advances to customers	112 263	112 544
Average gross core loans and advances to customers	113 295	105 355
Current loans and advances to customers	105 914	107 663
Total gross non-current loans and advances to customers	7 126	5 887
Past due loans and advances to customers (1 – 60 days)	1 975	1 774
Special mention loans and advances to customers	535	622
Default loans and advances to customers	4 616	3 491
Gross core loans and advances to customers	113 040	113 550
Total gross non-current core loans and advances to customers	7 126	5 887
Default loans that are current and not impaired	369	21
Gross core loans and advances to customers that are past due but not impaired	5 097	2 853
Gross core loans and advances to customers that are impaired	1 660	3 013
Total income statement charge for impairments on core loans and advances	(858)	(756)
Gross default loans and advances to customers	4 616	3 491
Specific impairments	(457)	(918)
Portfolio impairments	(320)	(88)
Defaults net of impairments	3 839	2 485
Collateral and other credit enhancements	5 908	3 545
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.40%	0.81%
Portfolio impairments as a % of gross core loans and advances to customers	0.28%	0.08%
Total impairments as a % of gross core loans and advances to customers	0.69%	0.89%
Specific impairments as a % of gross default loans	9.90%	26.30%
Gross defaults as a % of gross core loans and advances to customers	4.08%	3.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.42%	2.21%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on loans as a % of average loans and advances)	0.75%	0.72%

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

Audited R'million	31 March 2010	31 March 2009
Default loans that are current	588	932
1 – 60 days	2 351	2 230
61 – 90 days	455	687
91 – 180 days	1 059	1 222
181 – 365 days	1 289	489
>365 days	1 384	327
Total gross non-current loans and advances to customers (actual capital exposure)	7 126	5 887
1 – 60 days	510	272
61 – 90 days	186	104
91 – 180 days	833	480
181 – 365 days	871	211
>365 days	1 153	238
Total gross non-current loans and advances to customers (actual amount in arrears)	3 553	1 305

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

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2010							
Default loans that are current and not impaired							
Total capital exposure	369	–	–	–	–	–	369
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 216	437	840	852	752	5 097
Amount in arrears	–	405	180	739	633	698	2 655
Gross core loans and advances to customers that are impaired							
Total capital exposure	219	135	18	219	437	632	1 660
Amount in arrears	–	105	6	94	238	455	898
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	21	–	–	–	–	–	21
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

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	1 975	–	–	–	–	1 975
Special mention	–	115	296	15	101	8	535
Special mention (1 – 90 days)	–	115	59	*15	*101	*8	298
Special mention (61 – 90 days and item well secured)	–	–	237	–	–	–	237
Default	588	261	159	1 044	1 188	1 376	4 616
Sub-standard	332	126	72	554	571	598	2 253
Doubtful	256	135	87	490	617	778	2 363
Loss	–	–	–	–	–	–	–
Total	588	2 351	455	1 059	1 289	1 384	7 126

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	365	–	–	–	–	365
Special mention	–	17	99	7	14	3	140
Special mention (1 – 90 days)	–	17	37	*7	*14	*3	78
Special mention (61 – 90 days and item well secured)	–	–	62	–	–	–	62
Default	–	128	87	826	857	1 150	3 048
Sub-standard	–	24	14	503	493	589	1 623
Doubtful	–	104	73	323	364	561	1 425
Loss	–	–	–	–	–	–	–
Total	–	510	186	833	871	1 153	3 553

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.

4

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

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	1 774	–	–	–	–	1 774
Special mention	–	174	392	42	10	4	622
Special mention (1 – 90 days)	–	174	16	*42	*10	*4	246
Special mention (61 – 90 days and item 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)

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	178	–	–	–	–	178
Special mention	–	39	42	23	8	3	115
Special mention (1 – 90 days)	–	39	3	*23	*8	*3	76
Special mention (61 – 90 days and item 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

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.

An analysis of core loans and advances to customers

Audited R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2010								
Current core loans and advances	105 914	–	–	105 914	–	(307)	105 607	–
Past due (1 – 60 days)	–	1 975	–	1 975	–	(7)	1 968	365
Special mention	–	535	–	535	–	(6)	529	140
Special mention (1 – 90 days)	–	298	–	298	–	(6)	292	78
Special mention (61 – 90 days and item well secured)	–	237	–	237	–	–	237	62
Default	369	2 587	1 660	4 616	(457)	–	4 159	3 048
Sub-standard	332	1 914	7	2 253	–	–	2 253	1 623
Doubtful	37	673	1 653	2 363	(457)	–	1 906	1 425
Loss	–	–	–	–	–	–	–	–
Total	106 283	5 097	1 660	113 040	(457)	(320)	112 263	3 553
As at 31 March 2009								
Current core loans and advances	107 663	–	–	107 663	–	(79)	107 584	–
Past due (1 – 60 days)		1 774	–	1 774	–	(3)	1 771	178
Special mention	–	622	–	622	–	(6)	616	115
Special mention (1 – 90 days)	–	246	–	246	–	(6)	240	76
Special mention (61 – 90 days and item well secured)	–	376	–	376	–	–	376	39
Default	21	457	3 013	3 491	(918)	–	2 573	1 012
Sub-standard	21	457	131	609	(56)	–	553	226
Doubtful	–	–	2 880	2 880	(860)	–	2 020	786
Loss	–	–	2	2	(2)	–	–	–
Total	107 684	2 853	3 013	113 550	(918)	(88)	112 544	1 305

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

Audited R'million	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
As at 31 March 2010			
Private Banking professional and HNW individuals	73 422	1 735	298
Corporate sector	19 828	155	–
Banking, insurance, financial services (excluding sovereign)	9 948	–	–
Public and government sector (including central banks)	1 599	–	–
Trade finance	1 117	85	–
Total gross core loans and advances to customers	105 914	1 975	298
As at 31 March 2009			
Private Banking professional and HNW individuals	71 867	1 599	246
Corporate sector	20 998	63	–
Banking, insurance, financial services (excluding sovereign)	11 596	–	–
Public and government sector (including central banks)	2 149	–	–
Trade finance	1 053	112	–
Total gross core loans and advances to customers	107 663	1 774	246

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

Audited R'million	31 March 2010	31 March 2009
Private Banking professional and HNW individuals	80 032	76 651
Corporate sector	20 134	21 840
Banking, insurance, financial services (excluding sovereign)	9 948	11 596
Public and government sector (including central banks)	1 599	2 149
Trade finance	1 327	1 314
Total gross core loans and advances to customers	113 040	113 550

Special mention (61 – 90 days and item well secured) item	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
233	2 179	2 165	–	80 032	(111)	(302)	(413)
–	70	81	–	20 134	(203)	(81)	(284)
–	–	–	–	9 948	(6)	–	(6)
–	–	–	–	1 599	–	–	–
4	4	117	–	1 327	–	(74)	(74)
237	2 253	2 363	–	113 040	(320)	(457)	(777)
315	489	2 133	2	76 651	(62)	(437)	(499)
40	85	654	–	21 840	(13)	(420)	(433)
–	–	–	–	11 596	(13)	–	(13)
–	–	–	–	2 149	–	–	–
21	35	93	–	1 314	–	(61)	(61)
376	609	2 880	2	113 550	(88)	(918)	(1 006)

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4

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

Audited R'million	Private Bank 31 March 2010	Private Bank 31 March 2009	Capital Markets 31 March 2010	Capital Markets 31 March 2009	Other* 31 March 2010	Other* 31 March 2009	Total 31 March 2010	Total 31 March 2009
Gross core loans and advances to customers	80 032	76 648	28 792	32 826	4 216	4 076	113 040	113 550
Total impairments	(412)	(499)	(16)	(341)	(349)	(166)	(777)	(1 006)
Portfolio impairments	(111)	(62)	(16)	(19)	(193)	(7)	(320)	(88)
Specific impairments	(301)	(437)	–	(322)	(156)	(159)	(457)	(918)
Net core loans and advances to customers	79 620	76 149	28 776	32 485	3 867	3 910	112 263	112 544
Average gross core loans and advances	78 340	71 554	30 810	29 818	4 146	3 983	113 295	105 355
Current loans and advances to customers	73 422	71 865	28 566	32 121	3 926	3 677	105 914	107 663
Total gross non current loans and advances to customers	6 610	4 783	226	705	290	399	7 126	5 887
Past due loans and advances to customers (1-60 days)	1 735	1 599	155	63	85	112	1 975	1 774
Special mention loans and advances to customers	531	561	–	40	4	21	535	622
Default loans and advances to customers	4 344	2 623	71	602	201	266	4 616	3 491
Gross core loans and advances to customers	80 032	76 648	28 792	32 826	4 216	4 076	113 040	113 550
Total gross non-current loans and advances to customers	6 610	4 783	226	705	290	399	7 126	5 887
Default loans that are current and not impaired	369	21	–	–	–	–	369	21
Gross core loans and advances to customers that are past due but not impaired	4 782	2 617	226	103	89	133	5 097	2 853
Gross core loans and advances to customers that are impaired	1 459	2 145	–	602	201	266	1 660	3 013
Total income statement charge for impairments on core loans and advances	(492)	(256)	(113)	(354)	(253)	(146)	(858)	(756)
Gross default loans and advances to customers	4 344	2 623	71	602	201	266	4 616	3 491
Specific impairments	(301)	(437)	–	(322)	(156)	(159)	(457)	(918)
Portfolio impairments	(111)	(62)	(16)	(19)	(193)	(7)	(320)	(88)
Defaults net of impairments	3 932	2 124	55	261	(148)	100	3 839	2 485
Collateral and other credit enhancements	5 682	2 946	156	449	70	150	5 908	3 545
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

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

Audited	Private Bank		Capital Markets		Other*		Total	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Specific impairments as a % of gross core loans and advances to customers	0.38%	0.57%	–	0.98%	3.70%	3.89%	0.40%	0.81%
Portfolio impairments as a % of gross core loans and advances to customers	0.14%	0.08%	0.06%	0.06%	4.58%	0.17%	0.28%	0.08%
Total impairments as a % of gross core loans and advances to customers	0.51%	0.65%	0.06%	1.04%	8.28%	4.05%	0.69%	0.89%
Specific impairments as a % of gross default loans	6.93%	16.66%	–	53.49%	77.61%	59.67%	9.90%	26.30%
Gross defaults as a % of gross core loans and advances to customers	5.43%	3.42%	0.25%	1.83%	4.77%	6.53%	4.08%	3.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.94%	2.79%	0.19%	0.80%	–	2.56%	3.42%	2.21%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge on loans as a % of average loans and advances)	0.63%	0.36%	0.35%	1.19%	6.10%	3.67%	0.75%	0.72%

4

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 counterparty exposures*	Total
As at 31 March 2010			
Eligible financial collateral	21 038	3 621	24 659
Listed shares	19 292	872	20 164
Cash	1 724	2 749	4 473
Debt securities issued by sovereigns	22	–	22
Mortgage bonds	146 740	–	146 740
Residential mortgages	45 482	–	45 482
Residential development	104	–	104
Commercial property development	678	–	678
Commercial property investments	100 476	–	100 476
Other collateral	21 256	3 777	25 033
Unlisted shares	1 087	–	1 087
Bonds other than mortgage bonds	8 648	3 198	11 846
Debtors, stock and other corporate assets	2 988	–	2 988
Guarantees	7 317	80	7 397
Credit derivatives	–	–	–
Other	1 216	499	1 715
Total collateral	189 034	7 398	196 432
Suretyships	46	–	46
Collateral including suretyships	189 080	7 398	196 478
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	7366	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 in accordance with the risk appetite defined by the board. 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. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least "risky" instruments being assigned the largest limits.

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), stressed VaR, Expected Tail Loss (ETL) and Extreme Value Theory (EVT). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the 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 have Internal Model Approval and so trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

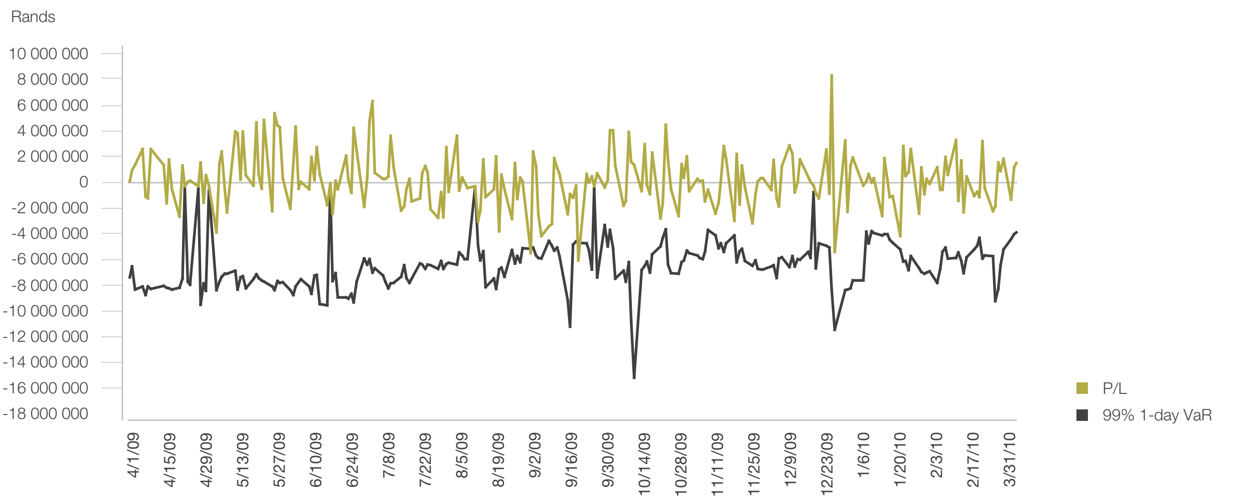
VaR 95% (one-day) Audited

R'million	Year end	Average	High	Low
31 March 2010				
Commodities	0.1	0.1	0.6	–
Equity derivatives	0.7	2.0	6.4	0.7
Foreign exchange	2.4	2.4	7.1	1.2
Interest rates	1.3	2.0	6.5	0.9
Consolidated*	2.5	3.6	8.0	1.4
31 March 2009				
Commodities	0.3	0.5	1.0	0.1
Equity derivatives	2.4	2.7	10.9	0.5
Foreign exchange	2.9	1.8	8.6	0.9
Interest rates	0.9	0.9	3.9	0.4
Consolidated*	4.0	3.3	8.4	1.4

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

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

99% 1-day VaR backtesting



There have been two exceptions, i.e. where the loss is greater than the VaR. Both exceptions were marginal and in line with the 99% confidence interval expectations.

ETL 95% (one-day) Audited

R'million	31 March 2010	31 March 2009
Commodities	0.1	0.6
Equity derivatives	1.2	3.5
Foreign exchange	4.0	5.4
Interest rates	2.4	1.4
Consolidated*	3.9	6.4

** 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 Audited

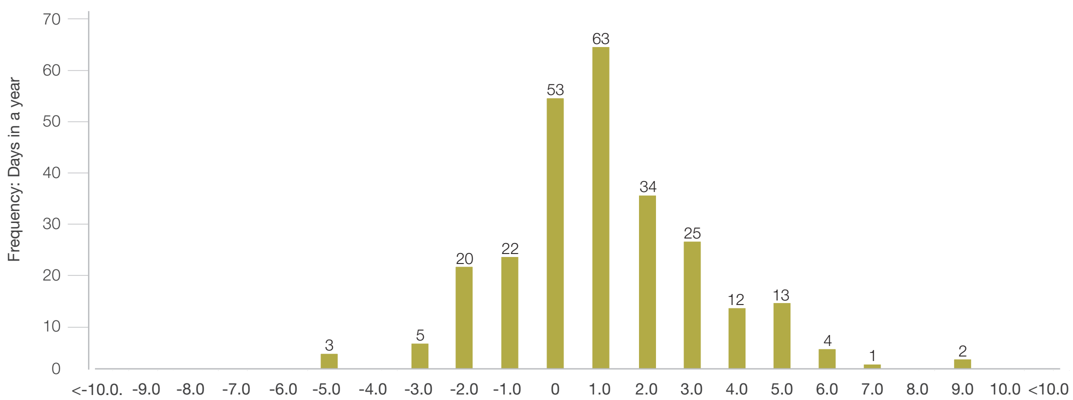
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions (15 standard deviations).

R'million	31 March 2010	31 March 2009
Commodities	0.6	2.3
Equity derivatives	5.0	18.2
Foreign exchange	18.4	22.1
Interest rates	10.3	7.2
Consolidated	34.3	49.8

Profit and loss histogram

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 154 days out of a total of 257 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2010 was R0.6 million (2009: R2.5 million).

Profit and loss (R'mn)



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Risk limits are set according to guidelines set out in our risk appetite policy.

Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are 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

In South Africa markets have been relatively difficult to gauge over the past year resulting in a significant decline in client flow and trading activity. As a result the trading desks (within the Capital Markets division) have reduced the amount of proprietary trading risk that they have been willing to accept and have concentrated on managing existing risks. Market risk limit utilisation by the trading desks has been relatively low throughout the year, which is evident in a decrease in the VaR numbers. Despite the difficult trading conditions all trading desks recorded a profit.

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 159 and 160.

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 and risk mitigation

Under delegated authority of the board, the group has established Asset and Liability Management Committees (ALCO's) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCO's are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Branches and subsidiaries have no responsibility for contributing to group liquidity.

The ALCO's are typically made up of the Managing Director, the head of Risk, the head of the Funding desk, economists, divisional heads, the balance sheet risk management team, the Treasurer, Private Bank representatives and any appropriate co-opted personnel. The ALCO's meet on a monthly basis to discuss and decide on strategies to mitigate any undesirable liquidity and interest rate risk.

The group's Central Treasury function is mandated to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. The Treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board approved risk appetite policy. Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The group's Central Treasury function directs pricing for all deposit products (including deposit products offered to the Private Clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, administers funds transfer pricing, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The Central Treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

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. The balance sheet risk management team, based within group Risk Management, independently identifies, quantifies and monitors risks, providing independent governance and oversight of the central treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. In carrying out its duties the balance sheet risk management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting and scenario analysis which quantify our positions, thus providing a comprehensive and consistent governance framework.

The Balance Sheet Risk function further performs scenario modelling and liquidity stress tests designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios, in which the rate and timing of deposit withdrawals and draw-downs on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

There is a regular internal audit of the Balance Sheet Risk Management function, the frequency of which is determined by the independent Audit Committee.

The group operates an industry recognised third party system to identify, measure, manage and monitor liquidity risk on both a current and forward-looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced showing bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the Central Treasury function, ERRF, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

The group complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision.

Non-trading interest rate risk description

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

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

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 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 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.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape by geography taking global trends into account. This combination of measures provides senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. 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 Central Treasury function and aggregated or netted. The Central Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the composition of the banking group's discretionary liquid asset portfolio or through derivative transactions which transfer the risk into the trading books within Capital Markets division to be traded with the external market. Any resultant interest rate position is managed under the market risk limits. The Central Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the Central Treasury function by match-funding. In turn, 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, the Central Treasury function 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.

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	12 973	–	–	–	–	3 619	16 592
Cash and short-term funds – non-banks	6 455	–	–	–	–	–	6 455
Investment/trading assets	22 289	5 942	3 509	131	154	5 937	37 962
Securitised assets	3 531	–	–	–	–	–	3 531
Advances	94 936	1 045	2 163	9 631	3 457	687	111 919
Other assets	–	–	–	–	–	1 027	1 027
Assets	**140 184**	**6 987**	**5 672**	**9 762**	**3 611**	**11 270**	**177 486**
Deposits – banks	(9 384)	(50)	–	(120)	–	–	(9 554)
Deposits – non-banks	(119 011)	(7 996)	(8 411)	(3 782)	(633)	(1 508)	(141 341)
Negotiable paper	(840)	(450)	(236)	–	–	(33)	(1 559)
Securitised liabilities	(2 647)	(60)	–	–	–	–	(2 707)
Investment/trading liabilities	(2 964)	–	–	–	–	–	(2 964)
Subordinated liabilities	(1 355)	–	–	(3 750)	(200)	(36)	(5 341)
Other liabilities	(793)	–	(150)	(153)	(132)	(3 312)	(4 540)
Liabilities	**(136 994)**	**(8 556)**	**(8 797)**	**(7 805)**	**(965)**	**(4 889)**	**(168 006)**
Intercompany loans	**5 934**	**169**	**(493)**	**(550)**	**346**	**1 662**	**7 068**
Shareholders' funds	**(1 163)**	**–**	**–**	**–**	**(382)**	**(15 022)**	**(16 567)**
Balance sheet	**7 961**	**(1 400)**	**(3 618)**	**1 407**	**2 610**	**(6 979)**	**(19)**
Off balance sheet	(4 543)	9 543	1 833	(4 519)	(2 295)	–	19
Repricing gap	**3 418**	**8 143**	**(1 785)**	**(3 112)**	**315**	**(6 979)**	**–**
Cumulative repricing gap	3 418	11 561	9 776	6 664	6 979	–	–

Economic value sensitivity

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

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bp Down	(99.0)	0.1	3.0	(0.1)	(0.4)	(0.3)	(79.2)
200bp Up	78.0	(0.4)	(3.5)	–	0.4	0.3	51.0

4

Liquidity risk description

Liquidity risk is the risk that we have sufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the SARB and the Bank of Mauritius.
- The group complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision.
- The risk appetite is clearly defined.
- Each geographic entity must have its own board approved policies with respect to liquidity risk management.
- Each geographic entity must be self sufficient from a funding and liquidity stand point so that there is no reliance on intergroup lines either from or to other group entities.
- Branches and subsidiaries have no responsibility for contributing to group liquidity.
- We maintain a liquidity buffer in the form of unencumbered, cash, government, or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows.
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix.
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cashflow maturity mismatch) on a "liquidation", "going concern" and "stress" basis.
- Liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.
- Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed.
- The balance sheet risk management team independently monitors key funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators.
- The group centrally manages access to funds in the market through the Central Treasury divisions.
- Maintenance of sustainable, prudent liquidity resources takes precedence over profitability.
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The Central Treasury function charges out the price of long and short term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business.
- The group maintains adequate contingency funding plans.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates, and projected balance sheet growth, to estimate future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short term liquidity stress.

We 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 so as to ensure a satisfactory overall funding mix.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Bank continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 26.1% from 1 April 2009 to R51.2 billion at 31 March 2010. We have also continued to experience strong inflows into our Capital Markets retail products during the financial year. Our total retail customer deposit base increased by 12.8% from 1 April 2009 to R143.4 billion at 31 March 2010. On average our fixed and notice customer deposits have amounted to approximately 71% of total deposits since April 2006 thereby displaying a strong "stickiness" and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. 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 engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported. Our funding and liquidity capacity is not reliant on these entities to any material extent and we do not rely on these vehicles for funding in the normal course of business.

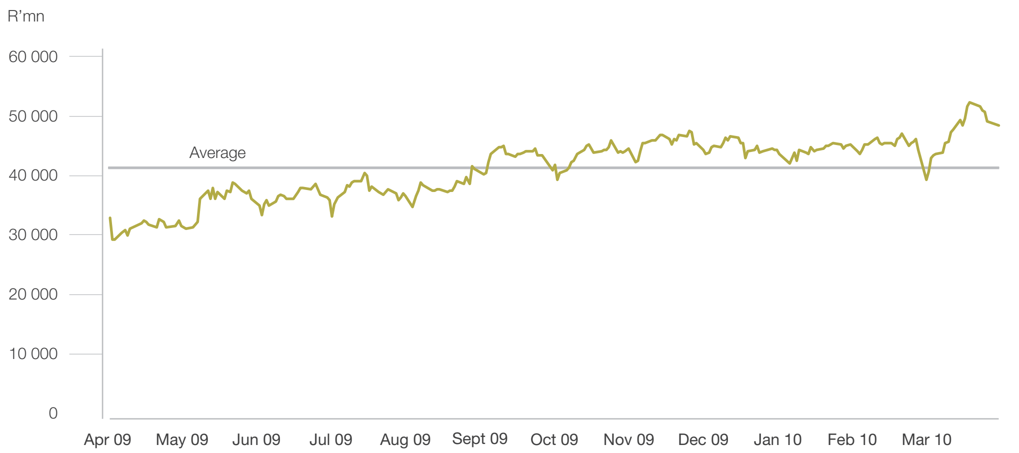
Continue to focus on maintaining a high level of readily available, high quality liquid assets (target at 20% – 30% of deposit base)

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short–term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. We do not rely on interbank deposits to fund term lending. From 1 April 2009 to 31 March 2010 average cash and near cash balances over the period amounted to R41.0 billion in South Africa.

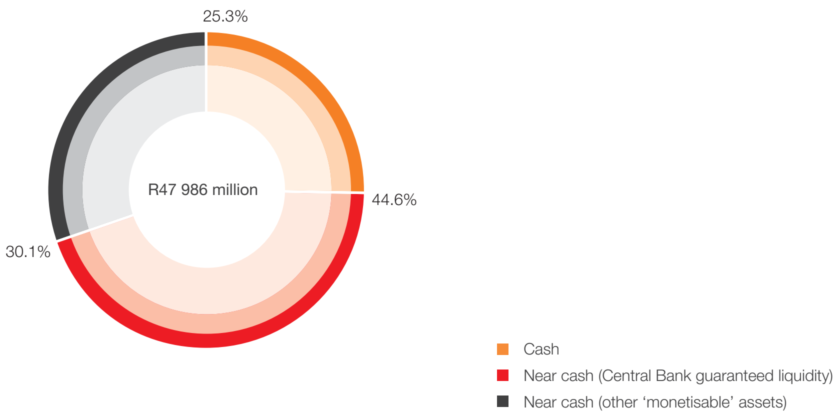
The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The liquidity contingency plans outline extensive early warning indicators and clear and decisive crisis response strategies. Early warning indicators span bank specific and systemic crises. Crisis response strategies address roles and responsibilities, composition of decision making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank specific events, while minimising detrimental long-term implications for the business.

Investec Bank Limited cash and near cash trend



An analysis of cash and near-cash



Liquidity mismatch

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

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

We maintained a strong liquidity profile throughout the year. Our limited reliance on securitisations as a source of funding has meant that the uncertainty in securitisation markets has not impacted our liquidity risk profile. Despite competitive pressures we were able to increase deposits taken from the retail market and raise additional liquidity. 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 years	Total
Cash and short-term funds – banks*	15 058	1 087	16	20	350	374	–	16 905
Cash and short-term funds – non-banks	5 573	882	–	–	–	–	–	6 455
Investment/trading assets**	21 451	8 393	513	847	2 345	9 571	8 650	51 770
Securitised assets	140	29	55	328	214	2 189	576	3 531
Advances	6 591	6 874	7 600	8 439	12 728	39 929	29 758	111 919
Other assets	1 172	44	214	159	350	2 149	3 211	7 299
Assets	49 985	17 309	8 398	9 793	15 987	54 212	42 195	197 879
Deposits – banks	(332)	(1 909)	(628)	(50)	(3 385)	(3 250)	–	(9 554)
Deposits – non-banks	(46 923)^	(29 215)	(27 236)	(11 409)	(18 146)	(7 069)	(3 392)	(143 390)
Negotiable paper	–	(230)	(233)	(450)	(646)	–	–	(1 559)
Securitised liabilities	(40)	(825)	(1 715)	(60)	–	–	(67)	(2 707)
Investment/trading liabilities	(3 077)	(1 159)	(446)	(411)	(1 005)	(6 099)	(1 682)	(13 879)
Subordinated liabilities	–	–	–	–	–	(4 691)	(650)	(5 341)
Other liabilities	(1)	(33)	(627)	(71)	(155)	(466)	(3 642)	(4 995)
Liabilities	(50 373)	(33 371)	(30 885)	(12 451)	(23 337)	(21 575)	(9 433)	(181 425)
Shareholders' funds	–	–	–	–	–	–	(16 454)	(16 454)
Contractual liquidity gap	(388)	(16 062)	(22 487)	(2 658)	(7 350)	32 637	16 308	–
Cumulative liquidity gap	(388)	(16 450)	(38 937)	(41 595)	(48 945)	(16 308)	–	

Note: contractual liquidity adjustments (as discussed on page 70)

R'million	Demand	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	11 441	1 087	16	20	350	374	3 617	16 905
**Investment/trading assets	3 212	1 477	9 249	9 489	10 122	9 571	8 650	51 770

Behavioural liquidity (as discussed on page 70)

R'million	Demand	Up to 1 month	1 – 3 months	3 – 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	9 895	8 989	(1 620)	7 099	(537)	(51 825)	27 999	–
Cumulative	9 895	18 884	17 264	24 363	23 826	(27 999)	–	–

^Includes call deposits of R43.0 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.

Balance sheet risk year in review

In contrast to the prior year the South African interest rate environment was stable and relatively uneventful. The cost of term deposits, however, rose steadily throughout 2009 which placed interest rate margins under pressure. This was compensated for by higher yields earned on liquid and trading assets. The gap between treasury bill and deposit yields shrank to almost zero over the year largely due to increased borrowing requirements from the government. Liquidity conditions stabilised and improved over the financial year. The Private Bank aggressively grew its deposit book and moderated its asset base resulting in a substantial increase in surplus cash reserves which we placed largely in higher yielding treasury bills. Our liquidity was further boosted by several successful medium term senior and subordinated notes issues totaling over R4 billion. The cost of these issues varied between 150bp and 200bp over Jibar. Total customer deposits increased by 12.8% from 1 April 2009 to R143.4 billion at 31 March 2010 (Private Bank deposits amount to R51.2 billion and other retail deposits amount to R91.9 billion). Cash and near cash balances increased by 46.7% from 1 April 2009 to R48.0 billion at 31 March 2010. The prospect of regulatory change will continue to force us and other banks to lengthen our deposit books, reprice new assets upwards and reduce our rate of asset growth.

We successfully embarked on several term debt funding initiatives. This allowed us to maintain liquidity above internal and external liquidity targets. Decisions concerning timing of issuance and the tenor of liabilities are based upon relative costs, general market conditions, prospective views of organic balance sheet growth and a targeted liquidity profile.

- Investec Bank Limited (IBL):
  - During the year IBL undertook a series of domestic term debt and bond tap issues, raising a total of R4 050 million
  - May 2009 raised R1 835 million of floating rate funds with a term of 2 years and 2 months, and a coupon of 195 over 3-month Jibar.
  - August 2009 raised R160 million of floating rate funds with a term of 6 years and 4 months, and a coupon of 215 over 3-month Jibar.
  - September 2009 raised R120 million of floating rate funds with a term of 2 years and 8 months, and a coupon of 170 over 3-month Jibar.
  - November 2009 raised R60 million of fixed funds with a term of 1 years and 7 months, and a coupon of 65 over the R157 Government Bond.
  - December 2009 raised R611 million of floating rate funds with a term of 2 years and 8 months, and a coupon of 150 over 3-month Jibar.
  - March 2010 raised R570 million of fixed rate funds with a term of 4 years and 11 months, and a coupon of 210 over the R157 Government Bond.
  - March 2010 raised R170 million of floating rate funds with a term of 2 years and 11 months, and a coupon of 155 over 3-month Jibar .
  - March 2010 raised R524 million of floating rate funds with a term of 4 years and 11 months, and a coupon of 200 over 3-month Jibar.
  - During the year IBL undertook a sub debt tier II capital callable debt issue, raising R250 million of floating rate funds with a term of 9 years and 7 months, callable in 4 years and 7 months, and a coupon of 325 over 3-month Jibar.

Operational risk management

Operational risk description

Operational risk is defined as the risk of loss or earnings volatility arising from inadequate or failed 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 appropriate and relevant sound operational risk management practices.

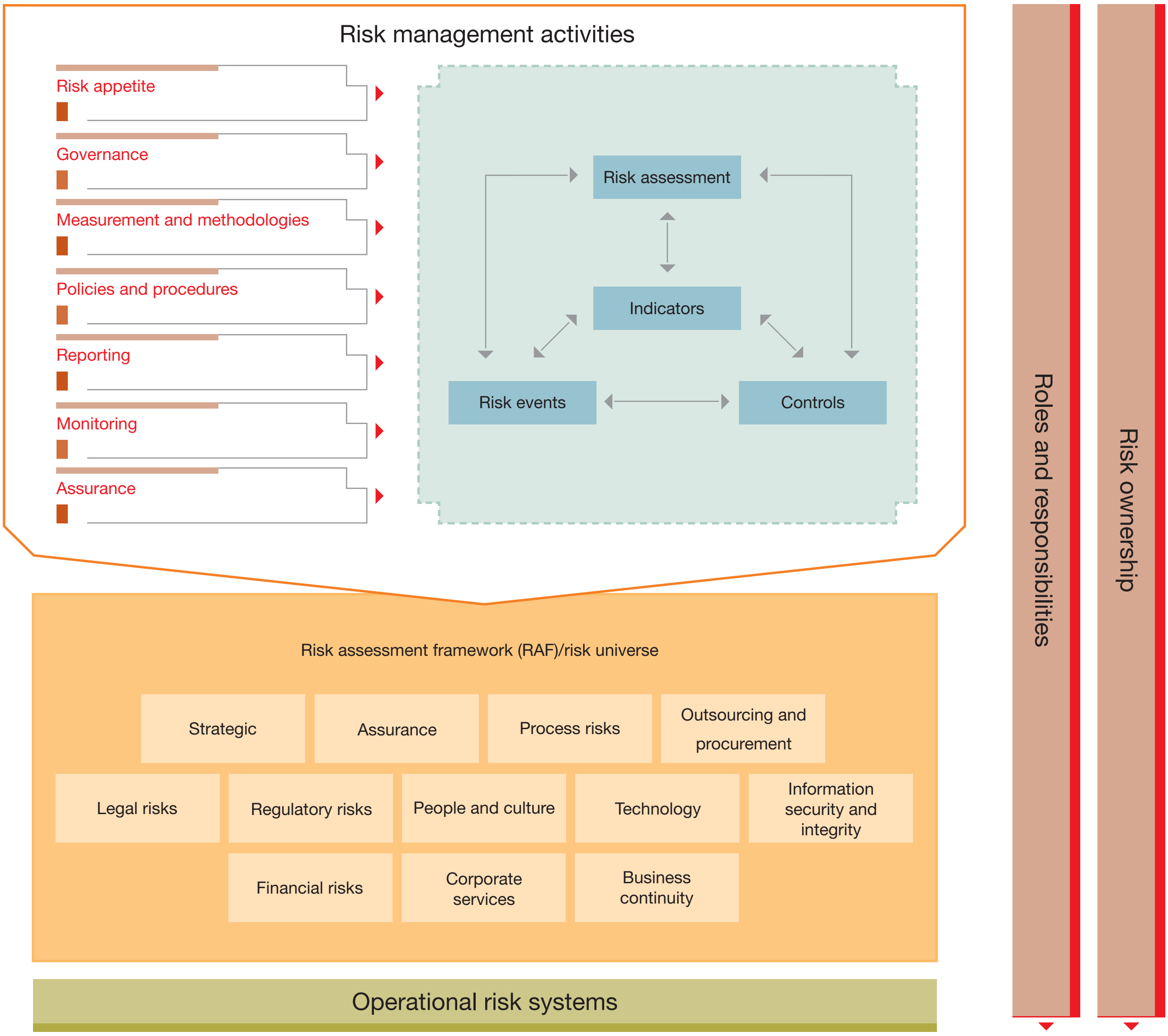
We have adopted The Standardised Approach to calculate the regulatory operational risk capital requirement.

Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic 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, analysis and reporting of the group's operational risk profile.

The following diagram provides an overview of the operational risk management framework



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 policies and practices across the group. This is in line with regulatory and stakeholder expectations.

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 the interaction and relationship with the various supervisors of the group in relation to operational risk.

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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 monitoring and mitigation 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.

Risk appetite

The Operational Risk Appetite policy sets out the operational risk exposure that the bank is willing to accept or retain, and the required action for mitigation and escalation of operational risk exposures.

If a risk appetite threshold is breached, mitigating treatments are implemented to bring the exposure back within an acceptable range.

Measurement and methodologies

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. A controlled operational risk exposure is determined based on an assessment of the consequence, likelihood of occurrence and the effectiveness of the relevant controls.

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 the group is willing to accept or retain.

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

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

Key operational risks

The following risks have been identified, through a combination of a top down and bottom up process, as key operational risks for the group:

Area	Key operational risks	Key considerations
People	Talent	• Inability to attract and retain suitable skills and resources
Processes	Business practices	• Unsuitable products and services • Conflicts of interest
	Data or model risk	• Inaccurate and unreliable data and models
	Legal	• Inappropriate documentation and legal advice
	Regulatory compliance	• Non-adherence to laws, regulations and industry codes
	Settlement and execution	• Inadequate settlement / payment processes and systems
	Tax	• Underestimation of tax liability
	Unauthorised transaction execution	• Trading outside of mandate or approved limits
Systems	Business continuity	• Unavailability of systems and processes • Inability to continue operations
	Privacy and confidentiality	• Loss of information and data assets
	Technology	• Inappropriate and unreliable technology skills and resources
External	Financial crime	• Theft or misappropriation of the financial assets of the company
	Outsourcing	• Inadequate monitoring and management of third party outsourcing relationships

Group Operational Risk Management interacts regularly with Internal Audit and group Compliance to discuss matters of common concern relating to the risk and control environment.

We have considered these risks and appropriate measures have been taken to mitigate and manage the exposure to these risks within acceptable levels.

Operational risk measurement

Each key operational risk has been subjected to a scenario analysis process. 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 data collected through the scenario process was evaluated using a Monte Carlo simulation technique. This provided a measure of the exposure arising from the key risks and was used to determine internal operational risk capital requirements. This is reviewed by the Capital Committee.

The operational risk capital measurement process improves awareness of operational risk and the control environment within the business units.

Operational 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.

Operational risk indicators

Business units track and report appropriate risk indicators in order to monitor and control their operational risk exposures. These are reviewed regularly to ensure that they are relevant.

Policies and practices

Policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate manner, and integrated across the group. These are regularly reviewed by the Operational Risk Committees and/or working groups as well as the BRCC.

Reporting

Group Operational Risk Management reports to the board, BRCC and Audit Committee on a regular basis. These reports are based on monitoring performed by group Operational Risk Management, input received from the business units and data recorded in the operational risk system. Improving the relevance and reliability of reporting continues to be an area of focus.

Monitoring

The individual components of the Operational Risk Management Framework (risk assessments, risk events, indicators, scenario analysis etc.) are monitored on an ongoing basis by group Operational Risk Management and the ERMs. These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the Group.

Assurance

Operational risk practices 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.

Developments

Supervisory interaction

During the year, the group was subject to regulatory onsite reviews by the SARB.

Regular engagement with industry groups and fora enables the group to be informed of developments and thus advance operational risk management practices.

Areas of focus include:

- Embedding more sophisticated operational risk practices within the group.
- Business continuity capability: rigorous and ongoing simulations and readiness evaluation. The impact of the Soccer World Cup in South Africa has been considered and appropriate actions taken to mitigate the potential risks.
- Financial crime: initiatives to improve understanding, awareness and internal processes are in place to minimise losses and recover assets and, where appropriate, to report suspicious transactions to the relevant authorities. Developments in this area are monitored through participation in the industry fora.
- Privacy and confidentiality: ongoing focus on ensuring the confidentiality, availability and integrity of our information by identifying and reducing the risks to our information assets and systems.
- Continued attention to practices and controls relating to execution, delivery and process risks.

Embedding operational risk management practices in the group remains an ongoing activity. The framework and practices are continuously monitored and developed to ensure that they remain relevant, appropriate, adequate and in line with leading industry practices and regulatory requirements.

Insurance

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

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

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

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. 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.

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 is consistent across the two groups. 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 exercised 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 Investec 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.

Philosophy and approach

As a consequence of the global financial crisis over the past two years, capital adequacy standards for banks globally have been raised. Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, the group maintains capital adequacy targets of a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17%, on a consolidated basis, for Investec plc and Investec Limited, respectively.

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The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

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

- Risk identification, review and assessment
- 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.

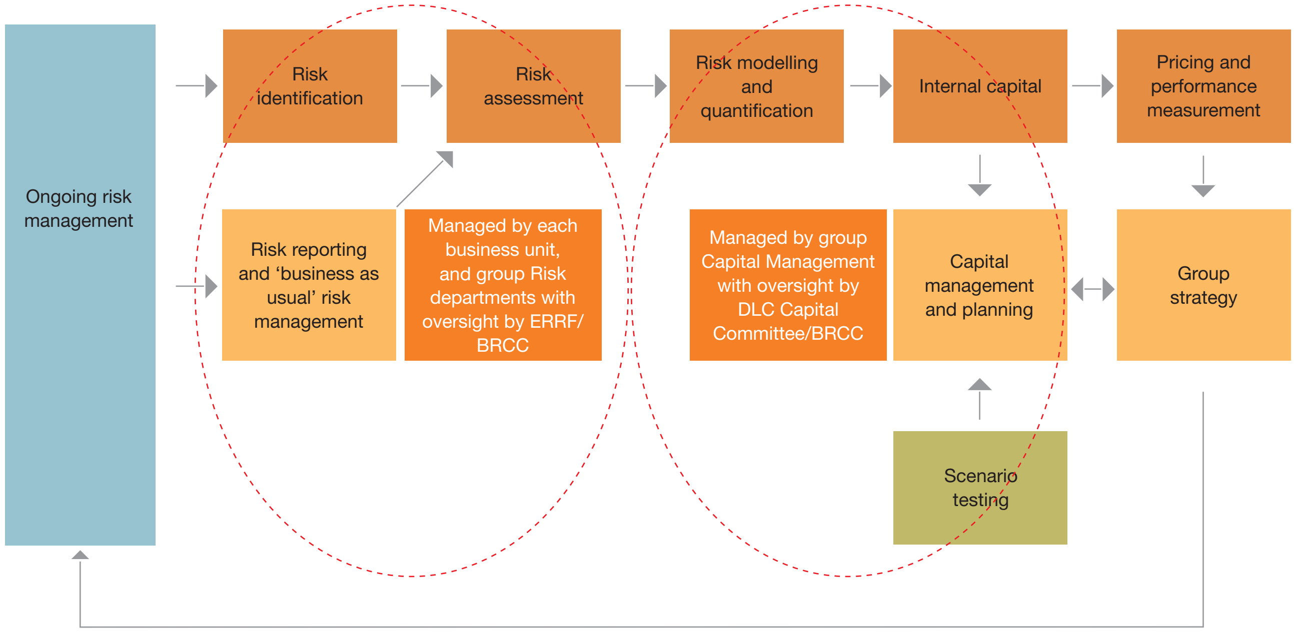
Consequently the objectives of the internal capital framework are to:

- Ensure that all identified risks are, where appropriate, incorporated into risk based pricing
- 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.

The (simplified) integration of risk and capital 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 the 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 held in the banking book;
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk
- Operational risk.

The group maintains capital adequacy targets of minimum tier 1 capital ratio of 11% and total capital adequacy ratio range of 14% to 17%

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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.

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 (three 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.

Internal capital is fully intergrated 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 determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration.

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 after consultation with relevant internal and external experts and research. 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

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 return on risk adjusted 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 and their roles and responsibilities are discussed in the Investec group's 2010 annual report.

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
- 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, is responsible 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
  - The Capital Management Function also co-ordinates, with assistance from 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
- 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 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
- Board and group executive:
  - The board has ultimate responsibility which is mandated by 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.

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Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 172 and 173.

R'million	31 March 2010	31 March 2009
Regulatory capital		
Tier 1		
Called up share capital	25	22
Share premium	10 530	9 056
Retained income	6 055	5 098
Other reserves	158	6
Intangibles	(95)	–
Total Tier 1 capital	16 673	14 182
Less: deductions	(266)	(242)
	16 407	13 940
Tier 2 capital		
Aggregate amount	5 553	5 106
Less: deductions	(265)	(142)
	5 288	4 964
Tier 3 capital		
Aggregate amount	–	–
Other deductions from Tier 1 and Tier 2	–	–
Total capital	21 695	18 904

Capital requirements

R'million	31 March 2010	31 March 2009
Capital requirements	13 272	12 652
Credit risk - prescribed standardised exposure classes	10 965	10 780
Corporates	6 991	8 507
Secured on real estate property	1 000	968
Counterparty risk on trading positions	321	349
Short term claims on institutions and corporates	1 221	288
Retail	698	251
Institutions	661	331
Other exposure classes	73	86
Securitisation exposures	356	169
Equity risk - standardised approach	697	576
Listed equities	35	47
Unlisted equities	662	529
Market risk - portfolios subject to internal models approach	91	106
Interest rate	31	17
Foreign Exchange	31	39
Commodities	1	8
Equities	28	42
Operational risk - standardised approach	1 163	1 021

Capital adequacy

R'million	31 March 2010	31 March 2009
Tier 1 Capital	16 673	14 182
Less: deductions	(266)	(242)
	16 407	13 940
Tier 2 capital		
Aggregate amount	5 553	5 106
Less: deductions	(265)	(142)
	5 288	4 964
Total capital	21 695	18 904
Risk-weighted assets (banking and trading)	139 716	133 180
Credit risk - prescribed standardised exposure classes	115 429	113 478
Corporates	73 588	89 547
Secured on real estate property	10 525	10 186
Counterparty risk on trading positions	3 380	3 678
Short term claims on institutions and corporates	12 857	3 036
Retail	7 352	2 640
Institutions	6 955	3 489
Other exposure classes	772	902
Securitisation exposures	3 748	1 778
Equity risk - standardised approach	7 337	6 061
Listed equities	368	497
Unlisted equities	6 969	5 564
Market risk - portfolios subject to internal models approach	956	1 118
Interest rate	325	182
Foreign Exchange	326	405
Commodities	13	83
Equities	292	448
Operational risk - standardised approach	12 246	10 745
Capital adequacy ratio	15.5%	14.2%
Tier 1 ratio	11.7%	10.5%
Capital adequacy ratio - pre operational risk	17.0%	15.4%
Tier 1 ratio - pre operational risk	12.9%	11.4%

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	F3	F3
	Long-term	BBB	BBB
	National		
	Short-term		F1 (zaf)
	Long-term		A+(zaf)
Moody's	Bank financial strength rating		C-
	Foreign currency		
	Short-term deposit rating		Prime-2
	Long-term deposit rating		A3
	National		
	Short-term		P1 (za)
	Long-term		Aa2 (za)
Global Credit Ratings	Local currency		
	Short-term rating		A1+(za)
	Long-term rating		AA-(za)

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Internal audit

The Internal Audit division provides objective and independent assurance, to management and the board via the group Audit Committees, that group processes are adequate to identify the significant risks to which Investec is 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 identified weaknesses

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 Investec operates. These departments use similar risk-based methodologies and cooperate technically and operationally.

The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of the Audit Committee. They operate independently of executive management but have access to their local Chief Executive Officer and the Chairman of the Audit Committee. The head of the Investec plc Audit Department is also responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged in order to maximise efficiency. For administrative purposes the heads of Internal Audit also report to the global head of Corporate Governance and Compliance. The functions 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 macroeconomic 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 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 including the requirements of King III. Audit teams comprise well-qualified, experienced staff and ensure that the function has the competence to match Investec's 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.

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.

In keeping with our core values, we endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust

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 area of business. 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 respective Audit Committees.

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 their 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. Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all geographies.

Year in review

Anti-money laundering and terror financing

The implementation of the Financial Intelligence Centre Act (FICA) and Protection of Constitutional Democracy against Terrorist and Related Activities (POCDATARA) is ongoing. The requirements provided by this regulation are set out in the group Anti-Money Laundering (AML) and Anti-Terror Financing Policy, which incorporates the Client Acceptance Policy.

The AML system, which calculates the risk rating of clients taken on by the business and monitors any changes to the risk ratings of existing clients, continues to be used to implement the Customer Acceptance Policy. Clients are risk weighted according to the money laundering and/or terror financing risks they may potentially pose. This risk rating includes cross referencing clients against international databases of adverse client information (including persons named on the United Nations lists). Clients assessed as being high risk are required to satisfy enhanced due diligence processes.

The initiative for all business units to implement both the AML and Automated Suspicious Activity Monitoring (ASAM) systems is ongoing. Business units not currently using the AML and ASAM systems have alternative controls in place to manage the risks.

The ASAM system, an enhancement to the AML system to address suspicious activity reporting, is operational in the higher risk businesses. ASAM uses a clients' risk weighting together with profiles of the clients' transactional behaviour across business unit transactional systems to determine potentially suspicious activities. Potential suspicions are further investigated to determine whether they need to be reported. ASAM is being further enhanced to automate cash threshold reporting.

Consumer protection

Consumer protection regulation continues to be a focus into 2010 with ongoing monitoring and reporting of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA).

To better regulate the quality of financial advice, the FSB has introduced amendments to the FAIS 'Fit and Proper' requirements, which deal with the qualifications and experience needed to perform a Representative or Key Individual role for a Financial Services Provider (FSP). Compliance and Human Resources have developed a system to monitor the 'Fit and Proper' status of Representatives and Key Individuals of all licensed Investec FSPs.

The effective dates of the Consumer Protection Act (CPA) are April and October 2010. The CPA was enacted to promote a fair, accessible and sustainable marketplace for consumer products and services, promote responsible consumer behaviour, improve standards of consumer information and prohibit unfair marketing and business practices. Group Compliance is overseeing the implementation of the NCA in the affected areas.

The draft Protection of Personal Information Act (POPI) has been circulated to the industry for comment. Once enacted POPI will have a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to Investec group and subsidiaries.

Market conduct, including conflicts of interest

The potential conflicts of interest identified through workshops with the respective business areas have been consolidated into a Conflicts Index Matrix for the South African business. This matrix includes an outline of general conflict types, the business areas between which the conflicts could occur and current mitigations and controls in place to manage the respective conflicts, as well as indicating where enhanced controls are necessary.

A specific module of the Enterprise Risk Assessor system (ERA) is being developed for the recording of the conflicts of interest framework and the documentation of existing controls. The ERA system will additionally provide the platform for conflicts of interest monitoring.

A South African module of the Voyeur system has been developed. Voyeur was designed and custom built by the UK Compliance team and is used to manage conflicts of interest. Voyeur will allow for a more streamlined approach to global conflicts of interest management.

Risk-based monitoring

The annual reassessment programme for all relevant legislation loaded on the Enterprise Risk Assessor system (ERA) is ongoing. The reassessment includes a re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant. Our focus has been on thematic monitoring across business areas and on streamlining the monitoring reports to management.

Training

The Compliance Awareness Induction Programme (CAIP) has been run successfully throughout the year. All new employees are required to attend the face to face version of CAIP and are required to complete and pass an online assessment. CAIP incorporates modules on:

- Compliance and the regulatory framework
- AML and terror financing
- Consumer protection
- Market conduct, including conflicts of interest.

To date approximately 600 employees have completed CAIP face to face training. The material has been adapted to online training so as to broaden the audience of CAIP to all employees. The online version of CAIP is being piloted in Private Bank during 2010.

Investec is committed to promoting sustainable stakeholder confidence in our conduct as a business and as a responsible corporate citizen

Introduction

While the board provides leadership based on an ethical foundation, and oversees the overall process and structure of corporate governance, each business area and every employee of the group is responsible for acting in accordance with sound corporate governance practices.

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.

Investec Limited and Investec plc are managed as a single economic enterprise as a result of the Dual Listed Companies structure. Details of the group operational structure can be found on page 4. Investec Bank Limited is a major subsidiary of Investec Limited.

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2010 annual report.

Governance framework

The group has adopted a risk and governance structure which allows for the operation of the various committees and forums at group level. This avoids the necessity of having to duplicate various committees and forums at group subsidiary levels. There are however, sub-committees that oversee the governance and control processes of Investec Bank Limited's operations.

The combined board committees of Investec Limited and Investec plc act as the board committees of Investec Bank Limited as well. A diagram of the group's governance framework can be found on page 34 and details of the various board committees can be found in the Investec group's 2010 annual report.

Board statement

The board of Investec Bank Limited takes comfort from the group's corporate governance process as well as the fact that the board of Investec Bank Limited includes common membership with the boards of Investec Limited and Investec plc. In addition, certain members who are only appointed to the board of Investec Bank Limited represent the company at the Audit Committee, Nomination and Directors' Affairs Committee as well as the Board Risk and Capital Committee of the group.

The Remuneration Committee acts as the remuneration committee for the group and the statement of the remuneration committee – explaining the group's policies and processes - can be found in the Investec group's 2010 annual report.

The board, management and employees of Investec Bank Limited are in full support of and committed to complying with regulatory requirements and, as from 1 March 2010, the King Code of Governance Principles for South Africa 2009. Due to the non-redeemable non-cumulative, non-participating preference shares that are listed on the JSE Limited, we are committed to complying with the JSE Listings Requirements as well.

Therefore, stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practice.

King III

King III was released on 1 September 2009 and came into effect on 1 March 2010, with companies having to apply the principles in respect of financial years commencing on or after 1 March 2010. King III distinguishes between statutory provisions, voluntary principles and recommended practices. The King III Report provides best practice recommendations, whereas the King III Code provides the principles that all entities should apply. Recognition is given to the fact that certain new principles in King III are matters of law, as they are contained in the Companies Act 71 of 2008 (the "new Companies Act"). As the new Companies Act has not been implemented to date - certain of these principles required by King III have not yet been adopted or applied.

The combined boards of Investec Limited and Investec plc elected to apply the majority of the principles in King III as from 1 March 2010, with the result that we now need to explain how the principles have been or have not been applied. A detailed schedule referencing how the relevant principles are being applied by the group can be found in the Investec group's 2010 annual report.

A detailed exercise was undertaken to benchmark the group's current governance practices against the principles required under King III. The exercise indicated that in substance Investec applies most of the principles, but this will remain work in progress for the remainder of 2010.

Details of the principles not being applied by the group can be found in the Investec group's 2010 annual report.

In addition, the following principles of King III are currently not being applied by Investec Bank Limited:

- The board should elect a chairman of the board who is an independent non-executive director
  - Refer to the explanation provided below under independence
- The evaluation of the board, and the individual directors should be performed every year
  - The last evaluation of the board of Investec Bank Limited was conducted during 2008. The next evaluation of the board and individual directors will be conducted during 2010 and annually thereafter
- Companies should disclose the remuneration of the three most highly paid employees
  - Details of the directors' remuneration and the group's remuneration processes are set out in the remuneration report on pages 103 to 110.
  - The new Companies Act, which has not been implemented to date, requires that the remuneration of the companies' prescribed officers be disclosed. The board will resolve on the identity of the prescribed officers as and when required under the new Companies Act

Financial reporting and going concern

Disclosure regarding the group's financial reporting and going concern can be found in the Investec group's 2010 annual report.

The same processes and principles have been applied by the board of Investec Bank Limited.

Therefore the board of Investec Bank Limited is of the opinion, based on its knowledge of the company, key processes in operation by the group and specific enquiries, that there are adequate resources to support the company as a going concern for the foreseeable future.

Further information on the group's liquidity and capital position is provided on pages 67 to 72 and pages 78 to 84 of the Investec group's 2010 annual report.

Board of directors

The composition of the board of Investec Bank Limited is set out below.

Role and responsibilities

The board operates within the group's governance framework and is accountable for the performance and affairs of Investec Bank Limited.

The board meets its objectives by reviewing and following corporate strategy as determined by the boards of Investec Limited and Investec plc.

The board has defined the limits of delegated authority within Investec Bank Limited. Together with the boards of Investec Limited and Investec plc and through the group's board committees 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 various boards are supported by management in implementing the plans and strategies approved by the boards.

For further detail of the functions of the board of Investec Bank Limited, as included with the functions of the boards of Investec Limited and Investec plc, performed directly or through sub-committees, refer to the Investec group's 2010 annual report.

Composition of the board of Investec Bank Limited

	Date of appointment	Independent	Last elected	Retiring and seeking re-election in 2010
Executive directors				
S Koseff (Chief Executive Officer)	30 June 1990	No	2007	Yes
B Kantor (Managing Director)	30 June 1990	No	2008	No
DM Lawrence (Deputy Chairman)	1 July 1997	No	2009	No
GR Burger (Group Risk and Finance Director)	30 June 1990	No	2008	No
B Tapnack	1 July 1997	No	2008	No
Non-executive directors				
F Titi (Chairman)	03 July 2002	No	2009	No
SE Abrahams	01 July 1997	Yes	2007	Yes
MP Malungani	21 August 2001	No	2009	No
KXT Socikwa	18 July 2006	Yes	2007	Yes
PRS Thomas	01 July 1997	Yes	2009	No
CB Tshili	18 July 2006	No	2007	Yes

Richard Dunne resigned from the board during August 2009

Independence

Chairman

The Chairman of the board of Investec Bank Limited, Fani Titi, is not considered to be independent as he was previously the Chairman of Tiso Group Limited, which has a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. Accordingly, the board concluded that Fani could not be considered independent under King III.

Relationships and associations

Peter Malungani is the Chairman and Busi Tshili is the Financial Director of Peu Group (Proprietary) Limited, which has a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. Accordingly, the board concluded that Peter and Busi could not be considered independent under King III.

Despite the board of Investec Bank Limited concluding that Fani, Peter and Busi cannot be considered independent, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the company and believe they do and will use their independent judgement when making decisions that affect the company and stakeholders.

Attendance at risk management meetings and tenure

Sam Abrahams and Peter Thomas regularly attend, by invitation, certain risk management committees of Investec Bank Limited. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. The board concluded that Sam and Peter retain independence of character and judgement.

Board meetings

The board of Investec Bank Limited met five times during the financial year 1 April 2009 to 31 March 2010.

The Chairman is responsible for setting the agenda for each meeting, in consultation with the Chief Executive Officer and the Company Secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance.

Details of directors' attendance at board meetings are shown in the table below.

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (Chief Executive Officer)	5	5
B Kantor (Managing Director)	5	4
DM Lawrence (Deputy Chairman)	5	5
GR Burger (Group Risk and Finance Director)	5	4
B Tapnack	5	5
Non-executive directors		
F Titi (Chairman)	5	5
SE Abrahams	5	5
MP Malungani	5	5
KXT Socikwa	5	4
PRS Thomas	5	4
CB Tshili	5	5

Re-election of board members

All directors are subject to re-election at the first annual general meeting following their appointment. Thereafter, in accordance with the Articles of Association of Investec Bank Limited, at least one third of the directors will retire at each annual general meeting. Retiring directors are subject to an assessment of their performance by the Chairman and the Nominations and Directors' Affairs Committee before nomination for re-election and re-appointment. Details of the directors standing for re-election at the 2010 annual general meeting are on page 91.

Further disclosures

Refer to the Investec group's 2010 annual report for more information regarding:

- Skills, knowledge, experience and attributes of directors
- Board and directors' performance evaluation
- Terms of appointment
- Ongoing training and development
- Independent advice
- Chairman and Chief Executive Officer
- Board committees – including the report prepared by the Chairman of the Audit Committee

Company Secretary

Benita Coetsee is the Company Secretary of Investec Bank Limited. She is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the Company Secretary whose appointment and removal is a board matter. Les Penfold is global head of Company Secretarial and coordinates and drives the secretarial functions and board governance across the group.

Management and succession planning

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

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

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

Internal control

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.

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

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.

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

External audit

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

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

The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in 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 Banking Supervision Department (BSD) of the South African Reserve Bank (SARB). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator, the South African Financial Intelligence Centre and the Bank of Mauritius.

Communication, public disclosure obligations and stakeholder relations

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

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

Values and code of conduct

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

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

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

Remuneration report

Remuneration report | FIVE

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.

Philosophy and policy on executive directors' and employees' remuneration

Remuneration philosophy

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

We reward executive directors and employees for their contribution through:

- payment of an industry competitive annual package (base salary and benefits)
- a variable performance reward (linked to our EVA model as discussed on page 99)
- ownership in the form of share incentive scheme participation.

We tend to look at the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term.

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.

Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short and long-term success.

Remuneration policy

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

- Total rewards comprise a fixed and variable component
- The fixed component of our rewards includes a base salary, pension and benefits and is set at median market levels to keep fixed cost elements low
- Variable rewards (a portion of which is deferred for senior employees) are largely EVA based (and underpinned by our risk appetite and capital utilisation as discussed on pages 78 to 82)
- Long-term share incentive participation ensures alignment with stakeholders
- 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
- We do not apply an upper limit on performance bonuses given our risk based EVA approach and prefer to contain the fixed cost component of remuneration at modest levels.

Qualitative and quantitative issues form an integral part of the determination of reward levels. Key inputs into the reward process are as follows:

- 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
- An individual's alignment with and adherence to our culture and values system is a key consideration
- Other aspects considered include, for example, attitude displayed towards risk consciousness; the level of co-operation and collaboration fostered; the ability to grow and develop markets; the possible replacement cost of such individuals.

Reward levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For executive directors, the FTSE 350 General Finance firms have provided the most appropriate benchmark to date
- For employees, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmark
- The committee also reviews data on other international banks with which we compete, including certain FTSE 100 companies
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Components of remuneration

The reward package for executive directors and employees comprises:

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

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.

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 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.

Annual performance bonus

Annual performance bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by realised 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.

EVA model and process

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 more than 10 years and encompasses the following principles and processes:

- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of business, and are set with reference to competitive benchmarks for each product line. In essence varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk committees. A detailed explanation of our capital management and allocation process is provided on pages 78 to 84
- 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
- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- Once the annual determination of the EVA pools is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving Human Resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management, before the DLC Remuneration Committee review and approval process.

In terms of our EVA process, 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. This ensures that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

Year in review

During the prior financial year the group 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 level and by introducing a formal deferral requirement. These awards are made in terms of our existing long-term incentive plans.

During the current year, the pre-determined hurdle level was increased and the deferral period was extended from 11 months to two years.

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.

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 2010:

Name	Salaries, directors' fees and other remuneration 2010 R	Annual bonus 2010* R	Total remuneration 2010 R	Salaries, directors' fees and other remuneration 2009 R	Annual bonus 2009 R	Total remuneration 2009 R
Executive directors						
S Koseff (Chief Executive Officer)	1 544 808	2 971 200	4 516 008	1 841 750	5 561 250	7 403 000
B Kantor (Managing Director)	515 961	4 902 480	5 418 441	591 217	3 707 500	4 298 717
GR Burger (Group Risk and Finance Director)	1 525 000	7 200 000	8 725 000	1 506 250	6 000 000	7 506 250
DM Lawrence (Deputy Chairman)	2 089 800	4 275 000	6 364 800	2 064 000	2 250 000	4 314 000
B Tapnack	1 368 000	2 850 000	4 218 000	1 353 000	2 400 000	3 753 000
Total in Rands	7 043 569	22 198 680	29 242 249	7 356 217	19 918 750	27 274 967
Non-executive directors						
F Titi (Chairman)	2 030 289	–	2 030 289	2 147 377	–	2 147 377
SE Abrahams	1 933 928	–	1 933 928	2 102 317	–	2 102 317
MP Malungani	770 289	–	770 289	887 377	–	887 377
RMW Dunne	131 250	–	131 250	550 000	–	550 000
KXT Socikwa	260 000	–	260 000	287 500	–	287 500
PRS Thomas	1 136 714	–	1 136 714	1 225 818	–	1 225 818
B Tshili	250 000	–	250 000	112 500	–	112 500
Total in Rands	6 512 470	–	6 512 470	7 312 889	–	7 312 889
Total in Rands	13 556 039	22 198 680	35 754 719	14 669 106	19 918 750	34 587 856

RMW Dunne resigned as a director during the period under review.

**As discussed on page 99, a portion of the bonus is received in cash and a portion is payable in the form of forfeitable share awards over a two year deferral period.*

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 2010.

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Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2010

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
Name	1 April 2009	31 March 2010	31 March 2010	1 April 2009	31 March 2010	31 March 2010
Executive directors						
S Koseff (Chief Executive Officer)[4]	4 986 633	4 839 133	1.0	1 899 330	1 809 330	0.7
B Kantor (Managing Director)[5]	48 525	48 525	–	5 301 000	4 863 500	1.8
GR Burger (Group Risk and Finance Director)[6]	2 132 135	2 402 135	0.5	1 037 076	1 037 076	0.4
DM Lawrence (Deputy Chairman)	959 255	959 255	0.2	200 590	200 590	0.1
B Tapnack	–	89 432	–	–	40 000	–
Total number	8 126 548	8 338 480	1.7	8 437 996	7 950 496	3.0
Non-executive directors						
SE Abrahams	30 000	20 000	–	–	–	–
MP Malungani[7]	–		–	7 728 890	3 288 890	1.2
KXT Socikwa	–		–	250	250	–
PRS Thomas	415 855	415 855	0.1	255 955	180 955	0.1
Total number	445 855	435 855	0.1	7 985 095	3 470 095	1.3
Total number	8 572 403	8 774 335	1.8	16 423 091	11 420 591	4.3

1. *The total number of Investec plc and Investec Limited shares in issue as at 31 March 2010 was 471.1 million and 269.8 million, respectively.*
2. *The market price of an Investec plc share as at 31 March 2010 was £5.39 (2009: £2.92), ranging from a low of £2.87 to a high of £5.62 during the financial year.*
3. *The market price of an Investec Limited share as at 31 March 2010 was R62.49 (2009: R38.86), ranging from a low of R37.51 to a high of R65.40 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: European call options over 146 232 (2009: 155 825) Investec Limited shares at a strike price of R51.44 (2009: R48.27) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted occasionally in terms of the dividend adjustment provision in the option agreement.*
5. *B Kantor:*
   - *European call options over 457 065 (2009: 500 000) Investec Limited shares at a strike of R56.92 (2009: R52.03) per share and an expiry date of 22 July 2010*
   - *European call options over 477 908 (2009: 500 000) Investec Limited shares at a strike of R50.50 (2009: R48.27) per share and an expiry date of 11 June 2011*
   - *The number of shares and strike price are adjusted for both options occasionally in terms of the dividend adjustment provision in the option agreement.*
6. *GR Burger: European call options over 59 403 (2009: 63 300) Investec Limited shares at a strike of R51.44 (2009: R48.27) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted occasionally in terms of the dividend adjustment provision in the option agreement.*
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. During the year a portion of the transaction with Peu was unwound.*

Directors' interest in preference shares as at 31 March 2010

Name	Investec Bank Limited 1 April 2009	Investec Bank Limited 31 March 2010	Investec Limited 1 April 2009	Investec Limited 31 March 2010	Investec plc 1 April 2009	Investec plc 31 March 2010
Executive directors						
S Koseff	4 000	4 000	3 000	3 000	101 198	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

- *The market price of an Investec plc preference share as at 31 March 2010 was R47.05 (2009: R34.00)*
- *The market price of an Investec Limited preference share as at 31 March 2010 was R91.00 (2009: R75.80)*
- *The market price of an Investec Bank Limited preference share as at 31 March 2010 was R98.70 (2009: R82.00).*

Directors' interest in options as at 31 March 2010

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2009	Exercised during the year	Options granted/lapsed during the year	Balance at 31 March 2010	Period exercisable
Executive directors							
B Kantor	20 Dec 2002	£1.59	9 455	–	–	9 455	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2010 was £5.39 (2009: £2.92), ranging from a low of £2.87 to a high of £5.62 during the financial year. A total of 471.1 million Investec plc shares were in issue as at 31 March 2010.

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 2010

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2009	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2010	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
S Koseff	21 Nov 2005	Nil	750 000	562 500		187 500	£4.00	£2 250 000	The remaining 25% will become exercisable on 30 Jun 2010
	25 Jun 2009	Nil	–	–	300 000	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
B Kantor	21 Nov 2005	Nil	750 000	562 500	–	187 500	R 47.67	R26 814 375	The remaining 25% will become exercisable on 30 Jun 2010
	25 Jun 2009	Nil	–	–	300 000	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
GR Burger	21 Nov 2005	Nil	600 000	450 000	–	150 000	£4.03	£1 813 500	The remaining 25% will become exercisable on 30 Jun 2010
	25 Jun 2007	Nil	150 000	–	–	150 000	–	–	75% is exercisable on 25 Jun 2011 and the remaining 25% on 25 Jun 2012
	25 Jun 2009	Nil	–	–	300 000	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014

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

The performance conditions in terms of this plan were met in respect of the November 2005 awards and the director's were entitled to 75% of the matching award on 30 June 2009.

Additional matching awards were made during the year, following the vesting of the first tranche of such awards made in 2005.

Directors' interest in long-term incentive plans as at 31 March 2010

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2009	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2010	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
DM Lawrence	20 Jun 2005	Nil	150 000	112 500	–	37 500	R 51.72	R 5 818 500	The remaining nil cost options vest on 30 Jun 2010
	25 Jun 2009	Nil	–	–	100 000	100 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
B Tapnack	20 Jun 2005	Nil	150 000	150 000	–	–	R 46.39	R 6 958 500	

These options are not subject to any performance conditions.

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Financial statements

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Directors' Responsibility statement

The 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 2010, and the income statements and statements of comprehensive income, changes in equity and cash flows 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, 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 control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

The auditor is 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 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 2010 and signed on its behalf by

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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 2010, 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 2010

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Independent auditor's 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 2010, and the income statements and statements of comprehensive income, changes in equity and cash flows 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 116 to 186.

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 2010, 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.
Registered Auditors

Per JP Grist
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2010

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2010

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Nature of business

Investec Bank Limited is a specialised bank providing a diverse range of financial products and services, including Private Banking, Investment Banking and Capital Markets, 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 2010.

A review of the operations for the year can be found on pages 13 to 28.

Authorised and issued share capital

Details of the share capital are set out in note 31 to the financial statements.

Ordinary dividends

A dividend of R390 000 000 was declared on 9 June 2009 and paid on 10 June 2009, and a dividend of R360 000 000 was declared on 30 November 2009 and paid on 1 December 2009

Preference dividends

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

Preference dividend number 13 for the six months ended 30 September 2009 amounting to 427.40 cents per share was declared to members holding preference shares registered on 27 November 2009 and was paid on 8 December 2009.

Preference dividend number 14 for the six months ended 31 March 2010 amounting to 392.05 cents per share was declared on 20 May 2010 to members holding preference shares registered on 18 June 2010 and will be paid on 01 July 2010.

Directors

Details of the directors are reflected on page 91.

Mr RMW Dunne resigned from the board as a director on 12 August 2009.

Messrs SE Abrahams, S Koseff, KXT Socikwa, and Ms CB Tshili 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 101 to 104.

Directors' remuneration

Directors' remuneration is disclosed on pages 97 to 104.

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 2010.

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 subsidiary companies are reflected on page 169 and the associate companies on page 164.

The interest of the company in the aggregate profits after taxation of its subsidiary companies is R762 million (2009: R188 million) and its share in aggregate losses is R161 million (2009: R21 million).

Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

Special resolution

At the Annual General Meeting of members held on 13 August 2009, 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 South African law and International Financial Reporting Standards. These policies are set out on pages 118 to 129.

Creditor payment policy

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

Employees

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

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.

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.

Benita Coetsee
Group Secretary
15 June 2010

Income statement

For the year to 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Interest income		23 494	20 861	22 224	19 094
Interest expense		(19 563)	(16 834)	(18 857)	(15 724)
Net interest income		3 931	4 027	3 367	3 370
Fee and commission income		921	1 087	862	1 031
Fee and commission expense		(49)	(61)	(40)	(39)
Principal transactions		1 629	1 560	1 238	1 751
Operating loss from associate		(47)	(1)	–	–
Other income		2 454	2 585	2 060	2 743
Total operating income before impairment losses on loans and advances		6 385	6 612	5 427	6 113
Impairment losses on loans and advances		(858)	(756)	(794)	(642)
Operating income		5 527	5 856	4 633	5 471
Administrative expenses	2	(2 879)	(3 113)	(2 733)	(2 967)
Depreciation, amortisation and impairment of property, equipment and intangibles	21/23	(122)	(78)	(119)	(76)
Profit before taxation		2 526	2 665	1 781	2 428
Taxation	4	(520)	(600)	(374)	(532)
Profit after taxation		2 006	2 065	1 407	1 896
Loss/(earnings) attributable to minority interests		1	(3)	–	–
Earnings attributable to shareholders		2 007	2 062	1 407	1 896

Statement of comprehensive income

For the year to 31 March	Group		Company	
R'million	2010	2009	2010	2009
Profit after taxation	2 006	2 065	1 407	1 896
Other comprehensive income:				
Fair value movements on cash flow hedges*	18	2	20	–
Fair value movements on available for sale assets*	29	–	23	(14)
Gain on realisation of available for sale assets recycled through the income statement*	(13)	(67)	(13)	(56)
Foreign currency adjustments	(359)	–	–	–
Total comprehensive income	1 681	2 000	1 437	1 826
Total comprehensive income attributable to minority shareholders	(1)	3	–	–
Total comprehensive income attributable to ordinary shareholders	1 682	1 997	1 437	1 826
Total comprehensive income	1 681	2 000	1 437	1 826

Group

**Net of taxation of R10 million.*

Company

**Net of taxation of R10 million.*

Balance sheet

At 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Assets					
Cash and balances at central banks		3 660	3 158	3 617	3 135
Loans and advances to banks		13 245	10 063	10 550	8 632
Cash equivalent advances to customers		6 455	5 203	6 455	5 203
Reverse repurchase agreements and cash collateral on securities borrowed	11	3 776	6 914	3 776	6 914
Trading securities	12	36 375	19 938	37 045	20 736
Derivative financial instruments	13	7 829	9 950	7 485	9 850
Investment securities	14	3 605	993	3 503	991
Loans and advances to customers	16	111 919	112 155	105 336	104 749
Securitised assets	17	3 531	4 512	852	869
Interest in associated undertakings	18	180	166	–	–
Deferred taxation assets	19	22	307	–	288
Other assets	20	924	892	848	787
Property and equipment	21	164	168	157	165
Investment properties	22	5	5	1	1
Intangible assets	23	96	88	92	84
Loans to group companies	24	6 093	6 776	8 037	7 651
Investment in subsidiaries	25	-	-	1 154	985
		197 879	181 288	188 908	171 040
Liabilities					
Deposits by banks		9 554	12 159	8 827	11 015
Derivative financial instruments	13	7 144	10 482	7 145	10 462
Other trading liabilities	26	454	701	454	701
Repurchase agreements and cash collateral on securities lent	11	6 281	2 290	6 281	2 281
Customer accounts (deposits)		143 390	127 139	139 925	123 076
Debt securities in issue	27	1 559	954	1 559	954
Liabilities arising on securitisation	17	2 707	3 186	852	869
Current taxation liabilities	28	857	849	849	831
Deferred taxation liabilities	19	444	558	270	506
Other liabilities	29	3 694	3 684	2 319	2 183
		176 084	162 002	168 481	152 878
Subordinated liabilities	30	5 341	5 091	5 341	5 091
		181 425	167 093	173 822	157 969
Equity					
Ordinary share capital	31	25	22	25	22
Share premium	32/33	10 530	9 056	10 530	9 056
Other reserves		(156)	101	18	(12)
Retained income		6 051	5 011	4 513	4 005
Shareholders' equity excluding minority interest		16 450	14 190	15 086	13 071
Minority interests	34	4	5	–	–
Total equity		16 454	14 195	15 086	13 071
Total liabilities and equity		197 879	181 288	188 908	171 040

Statement of changes in equity

For the year to 31 March R'million	Ordinary share capital	Share premium	Compulsorily convertible debentures
Group			
At 1 April 2008	19	8 277	22
Movement in reserves 1 April 2008 – 31 March 2009			
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	1	499	–
Increase in minority interests	–	–	–
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	22	9 056	–
Movement in reserves 1 April 2009 – 31 March 2010			
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	3	1 447	–
Issue of perpetual preference shares	–	27	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
Transfer from retained earnings to regulatory general risk reserve	–	–	–
At 31 March 2010	25	10 530	–
Company			
At 1 April 2008	19	8 277	22
Movement in reserves 1 April 2008 – 31 March 2009			
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	1	499	–
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	22	9 056	–
Movement in reserves 1 April 2009 – 31 March 2010			
Total comprehensive income for the year	–	–	–
Issue of ordinary shares	3	1 447	–
Issue of perpetual preference shares	–	27	–
Dividends paid to ordinary shareholders	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–
At 31 March 2010	25	10 530	–

**Less than R'million.*

Other reserves							
Regulatory general risk reserve	Available for sale reserve	Cash flow hedge reserve	Foreign currency reserve	Retained income	Shareholders' equity excluding minority interests	Minority interests	Total equity
857	49	–	5	3 731	12 960	–	12 960
–	(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
–	16	18	(359)	2 007	1 682	(1)	1 681
–	–	–	–	–	1 450	–	1 450
–	–	–	–	–	27	–	27
–	–	–	–	(750)	(750)	–	(750)
–	–	–	–	(149)	(149)	–	(149)
68	–	–	–	(68)	–	–	–
180	(2)	20	(354)	6 051	16 450	4	16 454
728	59	–	(1)	2 908	12 012	–	12 012
–	(70)	–	–	1 896	1 826	–	1 826
–	–	–	–	–	500	–	500
–	–	–	–	(260)	–	–	–
–	–	–	–	(1 100)	(1 100)	–	(1 100)
–	–	–	–	(167)	(167)	–	(167)
(728)	–	–	–	728	–	–	–
–	(11)	–	(1)	4 005	13 071	–	13 071
–	10	20	–	1 407	1 437	–	1 437
–	–	–	–	–	1 450	–	1 450
–	–	–	–	–	27	–	27
–	–	–	–	(750)	(750)	–	(750)
–	–	–	–	(149)	(149)	–	(149)
–	(1)	20	(1)	4 513	15 086	–	15 086

For the year to 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Cash flows from operating activities					
Operating profit adjusted for non-cash items	36	3 553	3 562	2 694	3 146
Taxation paid		(339)	(235)	(304)	(208)
Increase in operating assets		(17 159)	(16 277)	(17 152)	(19 548)
Increase in operating liabilities		15 313	11 723	15 821	13 326
Net cash inflow/(outflow) from operating activities		1 368	(1 227)	1 059	(3 284)
Cash flows from investing activities					
Net investment in property and equipment		(127)	(115)	(119)	(119)
Repayment of loan notes by associate		–	(34)	–	–
Net cash outflow from investing activities		(127)	(149)	(119)	(119)
Cash flows from financing activities					
Proceeds on issue of shares, net of related costs		1 477	500	1 477	500
Dividends paid to ordinary shareholders		(750)	(1 100)	(750)	(1 100)
Dividends paid to perpetual preference shareholders		(149)	(167)	(149)	(167)
Net inflow on subordinated debt raised		250	381	250	381
Net decrease in investment in subsidiaries		–	–	313	1 335
Net cash inflow/(outflow) from financing activities		828	(386)	1 141	949
Effects of exchange rates on cash and cash equivalents		(47)	–	–	–
Net increase/(decrease) in cash and cash equivalents		2 022	(1 762)	2 081	(2 454)
Cash and cash equivalents at beginning of year		8 552	10 314	8 450	10 904
Cash and cash equivalents at end of year		10 574	8 552	10 531	8 450
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		3 660	3 158	3 617	3 135
On demand loans and advances to banks		459	191	459	112
Cash equivalent advances to customers		6 455	5 203	6 455	5 203
Cash and cash equivalents at the end of the year		10 574	8 552	10 531	8 450

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

Basis of preparation

a) Statement of compliance

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

Accounting policies applied are consistent with those of the prior year, except for the adoption of the following amendments:

- IFRS 7 – Improving Disclosures about Financial Instruments, an amendment to IFRS 7

  The group has applied the improvement that requires enhanced disclosures about financial instruments. The amended standard requires additional disclosure about fair value measurement and liquidity risk.

- IAS 1 – Presentation of Financial Statements (revised)

  Adoption of this standard has resulted in the reformatting of the statement of total recognised gains and losses into a statement of comprehensive income.

These changes have had no impact on the recognition and measurement policies applied by the group.

b) Basis of measurement

The consolidated financial statements have been prepared on the historic basis except for the following which are measured at fair value:

- Derivative financial instruments
- Financial instruments at fair value through profit and loss
- Available for sale financial assets
- Investment property.

c) Functional and presentation currency

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

d) 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 judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements include:

- Valuation of unlisted investments in the private equity and direct investment portfolios. Key valuation inputs are based on observable market inputs adjusted for factors that specifically apply to the individual investments and recognise market volatility. Details of unlisted investments can be found in note 12, Trading securities and note 14, Investment securities.
- The determination of impairments against assets that are carried at amortised cost and 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 cost plus the post acquisition changes in the group's share of net assets of the associate.

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

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the board and for which discrete financial information is available.

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

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

For further details on the group's segmental reporting basis refer to pages 7 to 10 of the 'Overview of the activities of Investec Bank Limited' section of the annual report.

Goodwill

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

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, the group 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 and in certain limited circumstances cash-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised 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. The increase in equity is offset by a payment made to the holding company of Investec Bank Limited for the provision of the equity-settled shares.

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

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

Foreign currency transactions and foreign operations

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

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

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

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

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

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

Revenue recognition

Revenue consists of interest income, fee and commission income and principal transactions.

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

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

Fee and commission income includes 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, dividend income, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties. Dividend income is recognised when the group's right to receive payment is established.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Funding costs are disclosed in note 7.

Financial instruments

Financial instruments are initially recognised at their fair value plus, for 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 assets or financial liabilities.

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

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

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

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

- Those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit and loss
- Those that the group designates as available for sale
- 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 rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows, through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

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

Available for sale financial assets

Available for sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or 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 advances 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 other comprehensive income. 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.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

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

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

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

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

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group has implemented a collective impairment allowance at a central level (within the Group Services and Other business segment) that takes into account macro economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the 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 rights to cash flows has expired; or when the group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

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

Derivative instruments

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

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

Hedge accounting

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

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction
- The hedge is expected to be highly effective in achieving offsetting, that is within a range of 80% to 125%, 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 net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in 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 and;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain 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, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments 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". The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

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

Financial guarantees

Financial 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.

Installment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

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 installment 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.

Property and equipment

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

Cost is the cash equivalent paid, or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

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

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

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

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

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

Routine 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 three to eight 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 are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "Principal transactions".

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

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the higher of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value that would have been calculated without impairment.

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

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

Employee benefits

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

The group has no liabilities for other post retirement benefits.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations not yet effective

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

New standards

IFRS 9 - Financial Instruments (applicable for reporting periods beginning on or after 1 January 2013)

The International Accounting Standards Board (IASB) has issued IFRS 9 - Financial Instruments, which is the first step in its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during 2010 to add new requirements for the classification and measurement of financial liabilities and impairments of financial assets. Future amendments will address the derecognition of financial instruments and hedge accounting.

The implementation of the standard is expected to have a material impact on the group. The group is currently evaluating the impact of the adoption of the current requirements of the standard.

The standard is effective for the group for the year commencing 1 April 2014.

Revised IFRS 3 - Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for financial years 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 shareholders' equity). Currently the group recognises acquisition costs as part of the purchase consideration.

The standard will be effective for the group for the year commencing 1 April 2010.

IAS 24 – Related Parties (applicable for financial years beginning on or after 1 January 2011)

The amended standard requires commitments, as well as the nature of the relationship between related parties to be identified and disclosed. The amended standard gives clarity to the related party definition and other terms in the standard.

The standard will be effective for the group for the year commencing 1 April 2011.

Amendments to IAS 32 - Classification of Rights Issues (applicable for financial years beginning on or after 1 February 2010)

The amendment states that rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

The amendment is effective for the group for the annual periods commencing on or after 1 April 2010 and is not expected to have a significant impact on the group.

Other

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 standards or interpretations have been issued or amended which are deemed to have no impact on the group financial statements but have not been formally adopted by the group:

- IFRS 5 – Discontinued Operations
- IFRS 2 – Group Cash Settled Share-Based Transactions
- IAS 17 – Leases
- IAS 38 – Intangible Assets
- IAS 18 – Revenue
- IAS 36 – Impairment of Assets
- IAS 39 – Financial Instruments Recognition and Measurement
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-Cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
1. Segmental analysis					
Group					
Business analysis 2010					
Interest income	15 036	55	14 107	(5 704)	23 494
Interest expense	(13 310)	(7)	(12 835)	6 589	(19 563)
Net interest income	1 726	48	1 272	885	3 931
Fee and commission income	388	122	397	14	921
Fee and commission expense	(9)	14	(35)	(19)	(49)
Principal transactions	62	597	284	686	1 629
Operating loss from associates	–	–	–	(47)	(47)
Other income	441	733	646	634	2 454
Total operating income before impairment losses on loans and advances	2 167	781	1 918	1 519	6 385
Impairment losses on loans and advances	(492)	(29)	(113)	(224)	(858)
Operating income	1 675	752	1 805	1 295	5 527
Administrative expenses	(1 308)	(219)	(919)	(433)	(2 879)
Depreciation, amortisation and impairment of property, equipment and intangibles	(31)	–	(48)	(43)	(122)
Profit before taxation	336	533	838	819	2 526
Cost to income ratio	61.8%	28.0%	50.4%	31.3%	47.0%
Total assets (excluding intergroup)	81 753	3 970	101 560	4 503	191 786

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

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
1. Segmental analysis (continued)					
Company					
Business analysis 2010					
Interest income	14 761	54	13 091	(5 682)	22 224
Interest expense	(13 102)	(1)	(12 045)	6 291	(18 857)
Net interest income	1 659	53	1 046	609	3 367
Fee and commission income	359	122	379	2	862
Fee and commission expense	(5)	14	(32)	(17)	(40)
Principal transactions	62	600	315	261	1 238
Other income	416	736	662	246	2 060
Total operating income before impairment losses on loans and advances	2 075	789	1 708	855	5 427
Impairment losses on loans and advances	(491)	(29)	(84)	(190)	(794)
Operating income	1 584	760	1 624	665	4 633
Administrative expenses	(1 265)	(219)	(884)	(365)	(2 733)
Depreciation, amortisation and impairment of property, equipment and intangibles	(31)	–	(48)	(40)	(119)
Profit before taxation	288	541	692	260	1 781
Cost to income ratio	62.5%	27.8%	54.6%	47.4%	52.6%
Total assets (excluding intergroup)	79 382	3 957	93 629	3 903	180 871

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
1. Segmental analysis (continued)					
Company					
Business analysis 2009					
Interest income	19 280	79	18 832	(19 097)	19 094
Interest expense	(17 797)	(10)	(17 905)	19 988	(15 724)
Net interest income	1 483	69	927	891	3 370
Fee and commission income	430	117	482	2	1 031
Fee and commission expense	(14)	27	(18)	(34)	(39)
Principal transactions	46	1 037	614	54	1 751
Other income	462	1 181	1 078	22	2 743
Total operating income before impairment losses on loans and advances	1 945	1 250	2 005	913	6 113
Impairment losses on loans and advances	(245)	(54)	(337)	(6)	(642)
Operating income	1 700	1 196	1 668	907	5 471
Administrative expenses	(1 282)	(429)	(966)	(290)	(2 967)
Depreciation, amortisation and impairment of property, equipment and intangibles	(31)	–	(1)	(44)	(76)
Profit before taxation	387	767	701	573	2 428
Cost to income ratio	67.5%	34.3%	48.2%	36.6%	49.8%
Total assets (excluding intergroup)	74 967	3 465	81 303	3 654	163 389

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
1. Segmental analysis (continued)				
Further breakdowns of business line operating profit before non-operating items and taxation are shown below:				
Private Banking	336	444	288	387
Investment Banking				
Corporate Finance	65	80	65	80
Principal Investments	468	686	476	687
	533	766	541	767
Capital Markets	838	871	692	701
Group Services and Other Activities				
International Trade Finance	58	62	–	–
Central Funding	1 176	893	653	919
Central Costs	(415)	(371)	(393)	(346)
	819	584	260	573
Total	2 526	2 665	1 781	2 428

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

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

For the year to 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
2. Administrative expenses				
Staff costs	1 928	2 116	1 840	2 020
- Salaries and wages (including directors' remuneration)	1 575	1 821	1 497	1 733
- Share based payments expense	257	202	250	196
- Social security costs	12	13	11	13
- Pensions and provident fund contributions	84	80	82	78
Premises (excluding depreciation)	302	246	290	237
Equipment (excluding depreciation)	213	256	195	246
Business expenses	283	330	258	303
Marketing expenses	153	165	150	161
	2 879	3 113	2 733	2 967
The following amounts were paid to the auditors:				
Audit fees	24	37	21	34
Other services	3	1	3	1
	27	38	24	35
Fees by audit firm:				
Ernst & Young Inc	11	21	9	19
KPMG Inc	15	17	15	16
	26	38	24	35
Minimum operating lease payments recognised in administrative expenses	237	241	237	241

Details of the directors' emoluments, pensions and their interests are disclosed in the Directors' Remuneration report on pages 97 to 104.

3. Share-based payments

For the year to 31 March	Group		Company	
R'million	2010	2009	2010	2009
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 and on our website.				
Expense charged to the income statement:				
Equity-settled	257	202	250	196
Fair value of options granted in the year	**352**	**96**	**345**	**89**

Share-based payments expenses charged to income statement (included in administrative expenses) R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
2010	86	26	70	75	257
2009	73	21	48	60	202

	Group				Company			
	2010		2009		2010		2009	
Details of options outstanding during the year	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
Outstanding at the beginning of the year	21 766 537	3.11	21 159 846	6.53	20 817 096	3.13	20 488 140	6.58
Re-location of employees during the year	(2 525 350)	3.48	(1 275 697)	35.61	(2 476 215)	3.47	(1 311 447)	34.63
Granted during the year	10 081 200	–	3 798 850	–	9 911 350	–	3 507 420	–
Exercised during the year*	(5 542 928)	4.85	(1 116 476)	26.83	(5 388 010)	4.82	(1 086 856)	26.89
Expired during the year	(1 329 190)	3.16	(799 986)	13.88	(1 310 385)	3.10	(780 161)	14.04
Outstanding at the end of the year	**22 450 269**	**1.23**	**21 766 537**	**3.11**	**21 553 836**	**1.22**	**20 817 096**	**3.13**
Exercisable at the end of the year	**685 530**	**34.84**	**1 958 528**	**38.96**	**662 715**	**34.20**	**1 078 404**	**36.27**

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

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	2010	2009
3. Share-based payments (continued)		
The exercise price range and weighted average remaining contractual life for the options outstanding were as follows:		
Options with strike price		
Exercise price range	R33.00 – R57.60	R20.28 – R57.60
Weighted average remaining contractual life	1.32 years	1.80 years
Long-term incentive grants with no strike prices		
Exercise price range	R0	R0
Weighted average remaining contractual life	2.83 years	2.69 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	R44.00 – R56.00	R45.00 – R47.00
– Exercise price	R0	R0
– Expected volatility	33% – 45%	34% – 45%
– Option life	5 years	5 years
– Expected dividend yields	3.24%	9.55%
– Risk-free rate	8.55 % – 8.75%	7.71% – 11.96%

Expected volatility was determined based on the implied volatility levels quoted by the equity 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.

For information on the share options granted to directors, refer to the Remuneration report on page 102.

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
4. Taxation				
Taxation on income				
South Africa	510	594	374	532
– Current taxation	330	381	312	358
– Deferred taxation	180	213	62	174
Foreign taxation – Mauritius	10	6	–	–
Total taxation charge for the year	**520**	**600**	**374**	**532**
Tax rate reconciliation:				
Profit before taxation as per income statement	2 526	2 665	1 781	2 428
Total taxation charge in income statement	520	600	374	532
Effective rate of taxation	20.6%	22.5%	21.0%	21.9%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	2.6%	6.1%	3.8%	6.7%
– Foreign earnings*	7.3%	0.5%	–	–
– Other permanent differences	(2.5%)	(1.1%)	3.2%	(0.6%)
	28.0%	28.0%	28.0%	28.0%

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

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For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
5. Dividends				
Ordinary dividend				
Final dividend in previous year	390	500	390	500
Interim dividend for current year	360	600	360	600
Total dividend attributable to ordinary shareholders recognised in current financial year	750	1 100	750	1 100

	Group				Company			
	2010		2009		2010		2009	
For the year to 31 March	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million
Perpetual preference dividend								
Final dividend in previous year	555.82	83	537.23	80	555.82	83	537.23	80
Interim dividend for current year	427.40	66	574.32	87	427.40	66	574.32	87
Total dividend attributable to perpetual preference shareholders recognised in current financial year	983.22	149	1 111.55	167	983.22	149	1 111.55	167

The directors have declared a final dividend in respect of the financial year ended 31 March 2010 of 392.05 cents (2009: 555.82 cents) per perpetual preference share. The final dividend on perpetual preference shares will be payable on 1 July 2010 to shareholders on the register at the close of business on 18 June 2010.

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
6. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	2 007	2 062	1 407	1 896
Preference dividends paid	(149)	(167)	(149)	(167)
Earnings attributable to ordinary shareholders	1 858	1 895	1 258	1 729
Headline adjustments, net of taxation*	(13)	6	(13)	(56)
Gain on realisation of available for sale financial assets*	(13)	(56)	(13)	(56)
Impairment of associate	–	62	–	–
Headline earnings attributable to ordinary shareholders	1 845	1 901	1 245	1 673

**Amounts are net of taxation of R2 million (2009: R9 million) for both group and company.*

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For the year to 31 March R'million	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity
7. Analysis of income and impairments by category of financial instrument			
Group			
2010			
Net interest income	159	757	390
Fee and commission income	227	117	–
Fee and commission expense	–	(9)	–
Principal transactions	566	816	–
Operating loss from associate	–	–	–
Total operating income before impairment losses on loans and advances	952	1 681	390
Impairment losses on loans and advances	–	–	–
Operating income	952	1 681	390
2009			
Net interest income	847	3 266	28
Fee and commission income	330	3	–
Fee and commission expense	–	(3)	–
Principal transactions	1 757	331	–
Operating loss from associate	–	–	–
Total operating income before impairment losses on loans and advances	2 934	3 597	28
Impairment losses on loans and advances	–	–	–
Operating income	2 934	3 597	28
Included in principal transactions is funding costs of R562 million (2009: R602 million) and non-trading dividend income of R230.2 million (2009: R559 million).			
Company			
2010			
Net interest income	81	899	384
Fee and commission income	224	117	–
Fee and commission expense	–	(9)	–
Principal transactions	202	754	–
Total operating income before impairment losses on loans and advances	507	1 761	384
Impairment losses on loans and advances	–	–	–
Operating income	507	1 761	384
2009			
Net interest income	830	3 185	10
Fee and commission income	330	3	–
Fee and commission expense	–	6	–
Principal transactions	1 667	613	–
Total operating income before impairment losses on loans and advances	2 827	3 807	10
Impairment losses on loans and advances	–	–	–
Operating income	2 827	3 807	10
Included in principal transactions is funding costs of R562 million (2009: R602 million) and non-trading dividend income of R239.2 million (2009: R563 million).			

	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	14 422	–	(11 797)	–	–	3 931
	316	–	(1)	1	261	921
	(19)	–	(1)	2	(22)	(49)
	–	15	–	2	230	1 629
	–	–	–	(47)	–	(47)
	14 719	15	(11 799)	(42)	469	6 385
	(858)	–	–	–	–	(858)
	13 861	15	(11 799)	(42)	469	5 527
	15 468	–	(15 582)	–	–	4 027
	439	–	–	–	315	1 087
	(19)	–	–	–	(39)	(61)
	–	66	(602)	–	8	1 560
	–	–	–	(1)	–	(1)
	15 888	66	(16 184)	(1)	284	6 612
	(756)	–	–	–	–	(756)
	15 132	66	(16 184)	(1)	284	5 856
	13 196	–	(11 193)	–	–	3 367
	274	–	(1)	–	248	862
	(15)	–	–	1	(17)	(40)
	–	15	–	31	236	1 238
	13 455	15	(11 194)	32	467	5 427
	(794)	–	–	–	–	(794)
	12 661	15	(11 194)	32	467	4 633
	13 635	–	(14 290)	–	–	3 370
	404	–	–	–	294	1 031
	1	–	–	–	(46)	(39)
	–	66	(602)	4	3	1 751
	14 040	66	(14 892)	4	251	6 113
	(642)	–	–	–	–	(642)
	13 398	66	(14 892)	4	251	5 471

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At 31 March R'million	At fair value through profit and loss		Available for sale
	Trading	Designated at inception	
8. Analysis of financial assets and liabilities by measurement basis			
Group			
2010			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	301	–
Cash equivalent advances to customers	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	–	–
Trading securities	13 141	23 234	–
Derivative financial instruments	7 829	–	–
Investment securities	–	5	1
Loans and advances to customers	–	15 146	–
Securitised assets	–	1 120	–
Interest in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	125	–	–
Property and equipment	–	–	–
Investment properties	–	–	–
Intangible assets	–	–	–
Loans to group companies	*738	–	–
	25 504	39 806	1
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments	7 144	–	–
Other trading liabilities	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	–	–
Customer accounts (deposits)	26	15 248	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	1 514	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	164	–	–
Subordinated liabilities	–	–	–
	11 069	16 762	–

**Intergroup derivative instruments.*

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Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	3 660	–	3 660	–	3 660
301	–	12 944	–	12 944	–	13 245
–	–	6 455	–	6 455	–	6 455
3 671	–	105	–	105	–	3 776
36 375	–	–	–	–	–	36 375
7 829	–	–	–	–	–	7 829
6	3 599	–	–	3 599	–	3 605
15 146	118	96 655	–	96 773	–	111 919
1 120	–	2 411	–	2 411	–	3 531
–	–	–	–	–	180	180
–	–	–	–	–	22	22
125	–	631	–	631	168	924
–	–	–	–	–	164	164
–	–	–	–	–	5	5
–	–	–	–	–	96	96
738	–	5 355	–	5 355	–	6 093
65 311	3 717	128 216	–	131 933	635	197 879
–	–	–	9 554	9 554	–	9 554
7 144	–	–	–	–	–	7 144
454	–	–	–	–	–	454
3 281	–	–	3 000	3 000	–	6 281
15 274	–	–	128 116	128 116	–	143 390
–	–	–	1 559	1 559	–	1 559
1 514	–	–	1 193	1 193	–	2 707
–	–	–	–	–	857	857
–	–	–	–	–	444	444
164	–	–	1 997	1 997	1 533	3 694
–	–	–	5 341	5 341	–	5 341
27 831	–	–	150 760	150 760	2 834	181 425

At 31 March R'million	At fair value through profit and loss		Available for sale
	Trading	Designated at inception	
8. Analysis of financial assets and liabilities by measurement basis (continued)			
Group			
2009			
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 and equipment	–	–	–
Investment properties	–	–	–
Intangible assets	–	–	–
Loans to group companies	*979	–	–
	22 010	28 107	20
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 (deposits)	38	13 626	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	1 514	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	213	–	–
Subordinated liabilities	–	–	–
	13 715	15 140	–

Intergroup derivative instruments.

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Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	3 158	–	3 158	–	3 158
474	–	9 589	–	9 589	–	10 063
–	–	5 203	–	5 203	–	5 203
2 620	–	4 294	–	4 294	–	6 914
19 938	–	–	–	–	–	19 938
9 950	–	–	–	–	–	9 950
27	966	–	–	966	–	993
14 478	208	97 469	–	97 677	–	112 155
1 514	–	2 998	–	2 998	–	4 512
–	–	–	–	–	166	166
–	–	–	–	–	307	307
157	–	531	–	531	204	892
–	–	–	–	–	168	168
–	–	–	–	–	5	5
–	–	–	–	–	88	88
979	–	5 797	–	5 797	–	6 776
50 137	1 174	129 039	–	130 213	938	181 288
–	–	–	12 159	12 159	–	12 159
10 482	–	–	–	–	–	10 482
701	–	–	–	–	–	701
2 281	–	–	9	9	–	2 290
13 664	–	–	113 475	113 475	–	127 139
–	–	–	954	954	–	954
1 514	–	–	1 672	1 672	–	3 186
–	–	–	–	–	849	849
–	–	–	–	–	558	558
213	–	–	2 549	2 549	922	3 684
–	–	–	5 091	5 091	–	5 091
28 855	–	–	135 909	135 909	2 329	167 093

6

At 31 March R'million	At fair value through profit and loss: Trading	At fair value through profit and loss: Designated at inception	Available for sale
8. Analysis of financial assets and liabilities by measurement basis (continued)			
Company			
2010			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	301	–
Cash equivalent advances to customers	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	–	–
Trading securities	12 986	24 059	–
Derivative financial instruments	7 485	–	–
Investment securities	–	1	–
Loans and advances to customers	–	15 146	–
Securitised assets	–	–	–
Deferred taxation assets	–	–	–
Other assets	125	–	–
Property and equipment	–	–	–
Investment properties	–	–	–
Intangible assets	–	–	–
Loans to group companies	*901	–	–
Investment in subsidiaries	–	–	–
	25 168	39 507	–
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments	7 145	–	–
Other trading liabilities	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	–	–
Customer accounts (deposits)	26	15 248	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	164	–	–
Subordinated liabilities	–	–	–
	11 070	15 248	–

**Intergroup derivative instruments.*

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	3 617	–	3 617	–	3 617
301	–	10 249	–	10 249	–	10 550
–	–	6 455	–	6 455	–	6 455
3 671	–	105	–	105	–	3 776
37 045	–	–	–	–	–	37 045
7 485	–	–	–	–	–	7 485
1	3 502	–	–	3 502	–	3 503
15 146	–	90 190	–	90 190	–	105 336
–	–	852	–	852	–	852
–	–	–	–	–	–	–
125	–	556	–	556	167	848
–	–	–	–	–	157	157
–	–	–	–	–	1	1
–	–	–	–	–	92	92
901	–	7 136	–	7 136	–	8 037
–	–	–	–	–	1 154	1 154
64 675	3 502	119 160	–	122 662	1 571	188 908
–	–	–	8 827	8 827	–	8 827
7 145	–	–	–	–	–	7 145
454	–	–	–	–	–	454
3 281	–	–	3 000	3 000	–	6 281
15 274	–	–	124 651	124 651	–	139 925
–	–	–	1 559	1 559	–	1 559
–	–	–	852	852	–	852
–	–	–	–	–	849	849
–	–	–	–	–	270	270
164	–	–	703	703	1 452	2 319
–	–	–	5 341	5 341	–	5 341
26 318	–	–	144 933	144 933	2 571	173 822

At 31 March R'million	At fair value through profit and loss		Available for sale
	Trading	Designated at inception	
8. Analysis of financial assets and liabilities by measurement basis (continued)			
Company			
2009			
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 and equipment	–	–	–
Investment properties	–	–	–
Intangible assets	–	–	–
Loans to group companies	*1 103	–	–
Investment in subsidiaries	–	–	–
	22 034	27 389	20
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 (deposits)	38	13 626	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	–	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	213	–	–
Subordinated liabilities	–	–	–
	13 695	13 626	–

**Intergroup derivative instruments.*

	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
	–	–	3 135	–	3 135	–	3 135
	474	–	8 158	–	8 158	–	8 632
	–	–	5 203	–	5 203	–	5 203
	2 620	–	4 294	–	4 294	–	6 914
	20 736	–	–	–	–	–	20 736
	9 850	–	–	–	–	–	9 850
	25	966	–	–	966	–	991
	14 478	–	90 271	–	90 271	–	104 749
	–	–	869	–	869	–	869
	–	–	–	–	–	288	288
	157	–	468	–	468	162	787
	–	–	–	–	–	165	165
	–	–	–	–	–	1	1
	–	–	–	–	–	84	84
	1 103	–	6 548	–	6 548	–	7 651
	–	–	–	–	–	985	985
	49 443	966	118 946	–	119 912	1 685	171 040
	–	–	–	11 015	11 015	–	11 015
	10 462	–	–	–	–	–	10 462
	701	–	–	–	–	–	701
	2 281	–	–	–	–	–	2 281
	13 664	–	–	109 412	109 412	–	123 076
	–	–	–	954	954	–	954
	–	–	–	869	869	–	869
	–	–	–	–	–	831	831
	–	–	–	–	–	506	506
	213	–	–	1 092	1 092	878	2 183
	–	–	–	5 091	5 091	–	5 091
	27 321	–	–	128 433	128 433	2 215	157 969

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9. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table below provides details of the basis 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 active 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.

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied		
		Level 1	Level 2	Level 3
2010				
Group				
Assets				
Loans and advances to banks	301	–	301	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	3 198	473	–
Trading securities	36 375	20 214	16 041	120
Derivative financial instruments	7 829	3	7 811	15
Investment securities	6	6	–	–
Loans and advances to customers	15 146	–	15 146	–
Securitised assets	1 120	–	1 120	–
Other assets	125	123	2	–
Loans to group companies	738	–	738	–
	65 311	23 544	41 632	135
Liabilities				
Derivative financial instruments	7 144	–	7 144	–
Other trading liabilities	454	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	3 281	–	–
Customer accounts (deposits)	15 274	–	15 274	–
Liabilities arising on securitisation	1 514	–	1 514	–
Other liabilities	164	2	162	–
	27 831	3 737	24 094	–

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied		
		Level 1	Level 2	Level 3
9. Fair value hierarchy (continued)				
2010				
Company				
Assets				
Loans and advances to banks	301	–	301	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	3 198	473	–
Trading securities	37 045	21 042	15 887	116
Derivative financial instruments	7 485	3	7 467	15
Investment securities	1	1	–	–
Loans and advances to customers	15 146	–	15 146	–
Other assets	125	123	2	–
Loans to group companies	901	–	901	–
	64 675	24 367	40 177	131
Liabilities				
Derivative financial instruments	7 145	–	7 145	–
Other trading liabilities	454	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	3 281	–	–
Customer accounts (deposits)	15 274	–	15 274	–
Other liabilities	164	2	162	–
	26 318	3 737	22 581	–

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied		
		Level 1	Level 2	Level 3
9. Fair value hierarchy (continued)				
2009				
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	–	–
Loans to group companies	979	–	979	–
	50 137	13 493	36 301	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 (deposits)	13 664	–	13 664	–
Liabilities arising on securitisation	1 514	1 514	–	–
Other liabilities	213	75	138	–
	28 855	4 575	24 280	–

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied Level 1	Level 2	Level 3
9. Fair value hierarchy (continued)				
2009				
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	–	–
Loans to group companies	1 103	–	1 103	–
	49 443	13 187	35 993	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 (deposits)	13 664	–	13 664	–
Other liabilities	213	75	138	–
	27 321	3 057	24 264	–

Transfers between level 1 and level 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

At 31 March 2010 R'million	Transfers from level 1 to level 2
Assets	
Derivative financial instruments	286
Securitised assets	1 120
Liabilities	
Derivative financial instruments	26
Liabilities arising on securitisation	1 514

Based on a review of the revised definitions included in IFRS 7, certain instruments classified as level 1 in the prior year were classified as level 2 in the current period.

9. Fair value hierarchy (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy

R'million	Fair value movements through the income statement
Group	
Opening balance at 1 April 2009	343
Total gains or losses recognised in the current year	22
Sales	(10)
Settlements	(8)
Transfers out of level 3	(211)
Foreign exchange adjustments	(1)
Closing balance at 31 March 2010	135
Company	
Opening balance at 1 April 2009	263
Total gains or losses recognised in the current year	19
Settlements	(8)
Transfers out of level 3	(143)
Closing balance at 31 March 2010	131

Instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs.

9. Fair value hierarchy (continued)

The following table quantifies the changes in fair values recognised on level 3 financial instruments:

For the year to 31 March R'million	Group 2010	Company 2010
Total gains or losses on level 3 financial instruments included in profit or loss for the period		
Net interest income	4	4
Fee and commission income	26	26
Principal transactions	(8)	(11)
	22	19

For the year to 31 March R'million	Group 2010	Company 2010
Total gains and losses for the period included in profit or loss for level 3 financial instruments held at the reporting period		
Net interest income	4	4
Fee and commission income	26	26
Principal transactions	(8)	(10)
	22	20

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions.

	Reflected in profit and loss	
At 31 March 2010 R'million	Favourable changes	Unfavourable changes
Group		
Derivative financial instruments	24	21
Trading securities	30	21
Company		
Derivative financial instruments	24	21
Trading securities	30	20

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At 31 March R'million	2010 Carrying value	2010 Fair value	2009 Carrying value	2009 Fair value
10. Fair value of financial assets and liabilities held at amortised cost				
Group				
Financial assets				
Cash and balances at central banks	3 660	3 660	3 158	3 158
Loans and advances to banks	12 944	12 944	9 589	9 589
Cash equivalent advances to customers	6 455	6 455	5 203	5 203
Reverse repurchase agreements and cash collateral on securities borrowed	105	105	4 294	4 294
Investment securities	3 599	3 446	966	1 217
Loans and advances to customers	96 773	96 777	97 677	97 720
Securitised assets	2 411	2 411	2 998	2 998
Other assets	631	636	531	531
Loans to group companies	5 355	5 724	5 797	6 775
	131 933	132 158	130 213	131 485
Financial liabilities				
Deposits by banks	9 554	9 566	12 159	12 161
Repurchase agreements and cash collateral on securities lent	3 000	3 000	9	9
Customer accounts (deposits)	128 116	128 636	113 475	112 410
Debt securities in issue	1 559	1 563	954	955
Liabilities arising on securitisation	1 193	1 192	1 672	1 672
Other liabilities	1 997	1 998	2 549	2 549
Subordinated liabilities	5 341	5 529	5 091	5 348
	150 760	151 484	135 909	135 104
Company				
Financial assets				
Cash and balances at central banks	3 617	3 617	3 135	3 135
Loans and advances to banks	10 249	10 249	8 158	8 158
Cash equivalent advances to customers	6 455	6 455	5 203	5 203
Reverse repurchase agreements and cash collateral on securities borrowed	105	105	4 294	4 294
Investment securities	3 502	2 878	966	1 217
Loans and advances to customers	90 190	90 191	90 271	90 286
Securitised assets	852	852	869	869
Other assets	556	561	468	468
Loans to group companies	7 136	7 136	6 548	6 548
	122 662	122 044	119 912	120 178
Financial liabilities				
Deposits by banks	8 827	8 839	11 015	11 017
Repurchase agreements and cash collateral on securities lent	3 000	3 000	-	-
Customer accounts (deposits)	124 651	125 172	109 412	108 395
Debt securities in issue	1 559	1 563	954	955
Liabilities arising on securitisation	852	852	869	869
Other liabilities	703	703	1 092	1 092
Subordinated liabilities	5 341	5 529	5 091	5 348
	144 933	145 658	128 433	127 676

10. Fair value of financial assets and liabilities held at amortised cost (continued)

The paragraphs below describe the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

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

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
11. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	3 198	6 442	3 198	6 442
Cash collateral on securities borrowed	578	472	578	472
	3 776	6 914	3 776	6 914
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 31 March 2010 amounts to R3.2 billion (2009: R6.4 billion).				
Liabilities				
Repurchase agreements	6 281	2 289	6 281	2 280
Cash collateral on securities lent	–	1	–	1
	6 281	2 290	6 281	2 281

At 31 March R'million	Group				Company			
	2010		2009		2010		2009	
	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)
12. Trading securities								
Listed equities	357	39	612	50	356	53	553	42
Unlisted equities	4 562	2 432	3 421	2 224	4 483	2 629	3 240	2 249
Promissory notes	11 799	310	7 548	159	11 799	310	7 548	159
Liquid asset bills	18 213	184	6 123	(143)	18 213	184	6 123	(143)
Debentures	–	–	1 011	11	–	–	1 011	11
Government and other bonds	1 444	(16)	1 223	(127)	2 194	136	2 261	(59)
	36 375	2 949	19 938	2 174	37 045	3 312	20 736	2 259

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13. Derivative financial instruments

The bank enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with one financial institution.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

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

At 31 March R'million	Group		
	Notional principal amounts 2010	Positive fair value 2010	Negative fair value 2010
Foreign exchange derivatives			
Forward foreign exchange contracts	6 975	387	149
Currency swaps	38 024	808	549
OTC options	2 234	28	22
Other foreign exchange contracts	2 404	6	5
OTC derivatives	49 637	1 229	725
Exchange traded futures	1 755	–	–
Exchange traded options	898	–	–
	52 290	1 229	725
Interest rate derivatives			
Caps and floors	1 106	–	16
Swaps	282 684	4 943	5 060
Forward rate agreements	328 570	332	351
OTC options	6 911	29	30
Other interest rate contracts	658	162	104
	619 929	5 466	5 561
Equity and stock index derivatives			
OTC options	12 211	439	802
OTC derivatives	12 211	439	802
Exchange traded futures	7 304	2	–
Exchange traded options	25 205	–	–
	44 720	441	802
Commodity derivatives			
OTC options	839	25	25
Commodity swaps and forwards	1 078	247	31
	1 917	272	56
Credit derivatives			
Credit swaps	142	2	–
Credit linked notes	37	–	–
	179	2	–
Embedded derivatives	–	419	–
Derivatives per balance sheet		7 829	7 144

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	Group			Company					
	Notional principal amounts 2009	Positive fair value 2009	Negative fair value 2009	Notional principal amounts 2010	Positive fair value 2010	Negative fair value 2010	Notional principal amounts 2009	Positive fair value 2009	Negative fair value 2009
	7 590	220	309	6 975	387	149	7 590	220	309
	86 916	245	615	38 028	799	549	86 248	240	612
	4 819	89	205	2 234	28	22	4 819	89	206
	4 309	34	31	2 405	5	5	3 966	34	30
	103 634	588	1 160	49 642	1 219	725	102 623	583	1 157
	3 764	12	–	1 755	–	–	3 765	12	–
	–	–	–	898	–	–	–	–	–
	107 398	600	1 160	52 295	1 219	725	106 388	595	1 157
	9 289	–	40	1 106	–	16	9 289	–	40
	284 601	4 821	4 721	281 304	4 941	5 061	282 272	4 802	4 721
	569 654	1 247	1 149	328 570	333	351	569 654	1 247	1 149
	11 011	166	166	6 911	29	30	11 011	166	166
	1 298	127	159	655	152	104	1 298	127	158
	875 853	6 361	6 235	618 546	5 455	5 562	873 524	6 342	6 234
	214	74	876	9 918	331	802	125	74	860
	214	74	876	9 918	331	802	125	74	860
	–	–	–	7 304	2	–	–	–	–
	–	6	–	25 205	–	–	–	6	–
	214	80	876	42 427	333	802	125	80	860
	5 668	2 028	2 038	839	25	25	5 668	2 028	2 038
	1 939	531	173	1 078	247	31	1 939	531	173
	7 607	2 559	2 211	1 917	272	56	7 607	2 559	2 211
	–	–	–	142	1	–	–	–	–
	325	105	–	–	–	–	278	105	–
	325	105	–	142	1	–	278	105	–
	–	245	–	–	205	–	–	169	–
		9 950	10 482		7 485	7 145		9 850	10 462

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
14. Investment securities				
Listed equities	5	7	–	4
Unlisted equities	–	20	–	20
Bonds	3 600	966	3 503	967
	3 605	993	3 503	991

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

At 31 March R'million	Carrying value	Fair value adjustment		Maximum exposure to credit risk
		Year to date	Cumulative	
Loans and receivables				
2010				
Loans and advances to banks	301	(79)	(11)	301
Loans and advances to customers	15 146	(4)	786	15 146
	15 447	(83)	775	15 447
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

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment	
			Year to date	Cumulative
Financial liabilities				
2010				
Customer accounts (deposits)	15 248	16 912	(41)	(1 663)
Liabilities arising on securitisation	1 514	1 120	395	395
	16 762	18 032	354	(1 268)
2009				
Customer accounts (deposits)	13 626	14 028	(452)	(402)
Liabilities arising on securitisation	1 514	1 514	–	–
	15 140	15 542	(452)	(402)

Changes in fair value relating to credit risk is 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 2010	Group 2009	Company 2010	Company 2009
16. Loans and advances to customers				
Loans and advances to customers	111 919	112 155	105 336	104 749
Specific and portfolio impairments included in above	858	1 078	749	927
Gross loans and advances to customers	112 777	113 233	106 085	105 676
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities	(1 110)	(1 089)	(1 198)	(1 215)
Securitised assets (refer to note 17)	1 373	1 406	856	873
Gross core loans and advances to customers	113 040	113 550	105 743	105 334
For further analysis on gross core loans and advances refer to pages 44 to 59 in the Risk Management section				
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	991	365	884	335
Charge to the income statement	473	696	452	619
Utilised	(926)	(76)	(874)	(74)
Exchange adjustment	–	6	–	4
Balance at end of year	538	991	462	884
Portfolio impairment				
Balance at beginning of year	87	72	43	32
Charge to the income statement	234	14	245	10
Exchange adjustment	(1)	1	(1)	1
Balance at end of year	320	87	287	43
Reconciliation of income statement charge:				
Loans and advances	707	710	697	629
Specific impairment charged to income statement	473	696	452	619
Portfolio impairment charged to income statement	234	14	245	10
Securitised assets (refer to note 17)	31	24	–	4
Specific impairment charged to income statement	30	23	–	4
Portfolio impairment charged to income statement	1	1	–	–
Bad debts written off directly to the income statement	120	22	97	9
Total income statement charge	858	756	794	642

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
17. Securitised assets and liabilities arising on securitisation				
Securitised assets are made up of the following categories of assets:				
Loans and advances to banks	60	56	–	–
Trading securities	1 121	1 514	–	–
Loans and advances to customers	2 401	2 962	856	873
	3 582	4 532	856	873
Impairment of loans and advances to customers	(51)	(20)	(4)	(4)
Total securitised assets	3 531	4 512	852	869
Analysis of securitised assets by risk exposure				
Gross core loans and advances to customers	1 373	1 406	856	873
Securitisation exposures arising from securitisation/principal finance activities	91	126	–	–
Total credit and counterparty exposure	1 464	1 532	856	873
Loans and advances to customers with no credit exposure	2 067	2 980	(4)	(4)
Gross loans and advances deemed to have no legal credit exposure	2 118	3 000	–	–
Impairment of loans and advances to customers deemed to have no credit exposure	(51)	(20)	(4)	(4)
Total securitised assets	3 531	4 512	852	869
Specific and portfolio impairments				
Reconciliation of movements in group specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	19	–	4	–
Charge to the income statement	30	23	–	4
Utilised	–	(4)	–	–
Balance at end of year	49	19	4	4
Portfolio impairment				
Balance at beginning of year	1	–	–	–
Charge to the income statement	1	1	–	–
Balance at end of year	2	1	–	–
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation"				
At 31 March, the carrying value was	2 707	3 186	852	869

Investec Bank Limited legally disposed of loans and advances to customers to the value of R852 million (2009: R869 million) but in which 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 and commercial paper. Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

R26.1 million
Final legal maturity of 10 January 2018

R41.0 million
Final legal maturity of 10 March 2045

At 31 March R'million	Group 2010	 2009
18. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	180	166
Investment in associated undertaking	180	166
Analysis of the movement in our share of net assets:		
At beginning of year	166	195
Acquisitions	24	–
Impairment	–	(62)
Loan to associate	37	34
Share of associate losses	(47)	(1)
Share of net asset value at end of year	180	166
Associated undertakings:		
Unlisted	180	166
	180	166
The group holds 23.9% in Global Ethanol Holdings Limited.		
The group's holding in Dolphin Coast Marina Estate Limited is 40%.		
Summarised financial information at 31 March 2010		
Global Ethanol Holdings Limited		
Total assets	1 494	2 407
Total liabilities	1 440	1 861
Dolphin Coast Marina Estate Limited		
Total assets	83	75
Total liabilities	1	1

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
19. Deferred taxation				
Deferred taxation asset	22	307	–	288
Deferred taxation liability	(444)	(558)	(270)	(506)
Net deferred tax liability	(422)	(251)	(270)	(218)
The net deferred tax liability arises from:				
Income and expenditure accruals	558	302	710	288
Unrealised fair value adjustments on financial instruments	(980)	(553)	(980)	(506)
	(422)	(251)	(270)	(218)
Reconciliation of net deferred taxation liability:				
Opening balance	(251)	(38)	(218)	(44)
Charge to the income statement	(180)	(213)	(62)	(174)
Charged directly to equity	10	–	10	–
Foreign exchange adjustments	(1)	–	–	–
Closing balance	(422)	(251)	(270)	(218)

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

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
20. Other assets				
Settlement debtors	(2)	71	(2)	68
Accruals and prepayments	277	227	263	213
Other debtors	649	594	587	506
	924	892	848	787

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
21. Property and equipment					
Group					
2010					
Cost					
At beginning of year	–	19	120	271	410
Additions	–	–	17	34	51
Disposals	–	–	(6)	(15)	(21)
At end of year	–	19	131	290	440
Accumulated depreciation and impairment					
At beginning of year	–	(9)	(72)	(161)	(242)
Disposals	–	–	1	2	3
Depreciation	–	(4)	(3)	(30)	(37)
At end of year	–	(13)	(74)	(189)	(276)
Net carrying value	–	6	57	101	164
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

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
21. Property and equipment (continued)					
Company					
2010					
Cost					
At beginning of year	–	19	113	276	408
Additions	–	–	15	31	46
Disposals	–	–	(6)	(14)	(20)
At end of year	–	19	122	293	434
Accumulated depreciation and impairment					
At beginning of year	–	(9)	(67)	(167)	(243)
Disposals	–	–	–	1	1
Depreciation	–	(4)	(2)	(29)	(35)
At end of year	–	(13)	(69)	(195)	(277)
Net carrying value	–	6	53	98	157
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

At 31 March	Group		Company	
R'million	2010	2009	2010	2009
22. Investment properties				
Fair value at beginning and 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.

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At 31 March R'million	Group Acquired software	Group Internally generated software	Group Total	Company Acquired software	Company Internally generated software	Company Total
23. Intangible assets						
2010						
Cost						
At beginning of year	206	51	257	204	49	253
Additions	92	2	94	92	2	94
Disposals	(4)	–	(4)	(4)	–	(4)
At end of year	294	53	347	292	51	343
Accumulated amortisation and impairments						
At beginning of year	(137)	(32)	(169)	(137)	(32)	(169)
Disposals	2	1	3	1	1	2
Impairment	–	–	–	–	–	–
Amortisation	(80)	(5)	(85)	(78)	(6)	(84)
At end of year	(215)	(36)	(251)	(214)	(37)	(251)
Net carrying value	79	17	96	78	14	92
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 impairments						
At beginning of year	(108)	(31)	(139)	(106)	(31)	(137)
Disposals	4	7	11	1	7	8
Impairment	–	–	–	–	–	–
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

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
24. Loans to group companies				
Loans from holding company - Investec Limited	(677)	(129)	(677)	(129)
Loans to fellow subsidiaries	4 570	4 572	5 929	4 968
Preference share investment in Investec Limited	400	400	–	–
Preference share investment in fellow subsidiaries	1 800	1 933	2 785	2 812
	6 093	6 776	8 037	7 651

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 (2009: R53 million).

At 31 March R'million	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2010 R'million	Shares at book value 2009 R'million	Net indebtedness 2010 R'million	Net indebtedness 2009 R'million
25. Investment in subsidiaries							
Direct subsidiaries of Investec Bank Ltd							
Investec Bank (Mauritius) Ltd^	Banking institution	R535 630 446	100	535	535	1 428	483
Grayinvest Ltd	Investment holding	R100	100	*	*	–	–
Reichmans Holdings Ltd	Trade and asset financing	R15	100	112	112	912	969
Sibvest Ltd	Investment holding	R100	100	*	*	–	–
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	*	*	12	(54)
KWJ Investments (Pty) Ltd	Investment holding	R100	100	*	*	(60)	95
AEL Investment Holdings (Pty) Ltd	Investment holding	R1 000	100	*	*	(1 245)	(848)
Investpref Ltd	Investment holding	R1 000	100	*	*	(568)	(381)
Grayston Conduit 1 (Pty) Ltd	Securitisation vehicle	R1	∂	*	*	26	26
Other				*	*	2	48
				647	647	507	338

Details of subsidiary and associated companies which are not material to the financial position of the group are not reflected above.

Loans to/(from) group companies are unsecured interest bearing, with no fixed terms of repayment

∂ *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.*

^ *Mauritius.*

* *Less than R1 million.*

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
26. Other trading liabilities				
Short positions – gilts	454	701	454	701
	454	701	454	701

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
27. Debt securities in issue				
Repayable in:				
Not more than three months	447	633	447	633
Over three months but not more than one year	1 112	321	1 112	321
	1 559	954	1 559	954

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
28. Current taxation				
Income taxation payable	840	838	832	820
Indirect taxes payable	17	11	17	11
	857	849	849	831

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
29. Other liabilities				
Settlement liabilities	193	213	162	213
Cumulative redeemable preference shares including accrued dividends	1 223	1 406	2	–
Other non interest bearing liabilities	520	378	460	341
Other creditors and accruals	1 758	1 687	1 695	1 629
	3 694	3 684	2 319	2 183

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
30. Subordinated debt				
Issued by Investec Bank Limited				
IV01 16% subordinated bonds	180	180	180	180
IV03 16% subordinated 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 subordinated unsecured callable bonds	941	941	941	941
IV08 13.735% subordinated unsecured callable bonds	200	200	200	200
IV09 subordinated unsecured callable bonds	200	200	200	200
IV012 subordinated unsecured callable bonds	250	–	250	–
	5 341	5 091	5 341	5 091
All subordinated debt issued by Investec Bank Limited and its subsidiaries is denominated in South African Rand				
Remaining maturity:				
In one year or less, or on demand	–	–	–	–
In more than one year, but not more than two years	180	–	180	–
In more than two years, but not more than five years	3 653	3 583	3 653	3 583
In more than five years	1 508	1 508	1 508	1 508
	5 341	5 091	5 341	5 091

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.

IV01 16% subordinated bonds

R180 million (2009: R180 million) Investec Bank Limited locally 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 bonds

R1 508 million (2009: R1 508 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 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 (2009: R2 062 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

30. Subordinated debt (continued)

IV07 subordinated unsecured callable bonds

R941 million (2009: R941 million) Investec Bank Limited locally 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 (2009: R200 million) Investec Bank Limited locally registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

IV09 subordinated unsecured callable bonds

R200 million (2009: R200 million) Investec Bank Limited locally registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 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.

IV012 subordinated unsecured callable bonds

R250 million (2009: Rnil) Investec Bank Limited IV012 locally registered unsecured subordinated callable bonds are due in November 2019. Interest is paid at 3-month JIBAR plus 325 basis points until 25 November 2014. Interest is payable quarterly in arrears. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014. If not called, the bonds will switch to a 3-month JIBAR plus 450 basis points.

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At 31 March	Group		Company	
R'million	2010	2009	2010	2009
31. Ordinary share capital				
Authorised				
105 000 000 (2009: 105 000 000) ordinary shares of 50 cents each.				
Issued				
49 168 366 (2009: 43 906 839) ordinary shares of 50 cents each.	25	22	25	22

The unissued shares are under the control of the directors until the next annual general meeting.

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
32. Perpetual preference shares				
Authorised				
70 000 000 (2009: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.				
Issued				
15 276 630 (2009: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium within a range of R96.46 – R99.99 per share.	1 518	1 491	1 518	1 491
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	1 518	1 491	1 518	1 491

*Less than R1 million.

Share premium on perpetual preference shares is included in the line item share premium on the balance sheet. Refer to note 33. Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of the South African prime interest rate, of the face value of the preference shares held.

Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.

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

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
33. Share premium				
Share premium on ordinary shares	9 027	7 580	9 027	7 580
Share premium on perpetual preference shares	1 518	1 491	1 518	1 491
Share issue expenses written off	(15)	(15)	(15)	(15)
	10 530	9 056	10 530	9 056

At 31 March R'million	Group 2010	Group 2009
34. Minority interests		
Minority interests in partially held subsidiaries	4	5

At 31 March R'million	Group			
	2010		2009	
	Total future minimum payments	Present value	Total future minimum payments	Present value
35. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Less than 1 year	771	607	764	562
1-5 years	969	837	1 121	940
Greater than 5 years	1	1	5	5
	1 741	1 445	1 890	1 507

Unearned finance income amounted to R296 million (2009: R383 million). There are no finance lease receivables in the company. At 31 March 2010 and 31 March 2009, there were no unguaranteed residual values.

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
36. Notes to cash flow statement				
Operating profit adjusted for non-cash items is derived as follows:				
Profit before taxation	2 526	2 665	1 781	2 428
Adjustments for:				
Depreciation, amortisation and impairment of property, equipment and intangibles	122	78	119	76
Impairment of loans and advances	858	756	794	642
Operating loss from associates	47	1	–	–
Impairment of associate	–	62	–	
Operating profit adjusted for non-cash items	3 553	3 562	2 694	3 146

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At 31 March R'million	Group		Company	
	2010	2009	2010	2009
37. Commitments				
Undrawn facilities	20 186	19 228	19 231	19 073
Other commitments	2 456	4 418	2 891	4 426
	22 642	23 646	22 122	23 499
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking for business 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	263	239	263	239
1-5 years	1 507	1 064	1 507	1 064
Later than 5 years	2 773	3 117	2 773	3 117
	4 543	4 420	4 543	4 420

At 31 March 2010, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% per annum. The majority of the leases have renewal options. Contingent rent represents payments made to landlords for operating, tax and other escalation expenses.

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
38. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	7 676	7 494	7 893	7 583
	7 676	7 494	7 893	7 583

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 R72 million (2009: R91 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.

39. Related party transactions

For the year to 31 March R'million	Group and company 2010	Group and company 2009
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	59	55
Share-based payments	19	19
	78	74

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

For the year to 31 March R'million	Group and company 2010	Group and company 2009
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		
At beginning of year	113	192
Increase in loans	72	64
Repayment of loans	(55)	(143)
At end of year	130	113
Guarantees		
At beginning of year	21	10
Additional guarantees granted	–	11
Guarantees cancelled	(21)	–
At end of year	–	21
Deposits		
At beginning of year	(367)	(316)
Increase in deposits	(189)	(51)
Repayment of deposits	239	–
At end of year	(317)	(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.

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39. Related party transactions (continued)

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
Transactions with other related parties				
Various members of key management personnel have shareholdings in other companies. At 31 March 2010, Investec Bank Limited group had the following loans outstanding from these related parties	94	132	46	61

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

Refer to pages 97 to 104 in the Directors' Remuneration report for other transactions relating to directors.

Refer to note 24 for loans to group companies and note 25 for loans to/(from) subsidiary companies.

At 31 March R'million	2010	2009
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	489	1 172
Repurchase agreements and cash collateral on securities borrowed	–	4 091
Loans and advances to customers	114	113
Investment securities	1 815	–
Interest in associated companies	127	164
Derivative financial instruments	36	170
Liabilities		
Deposits from banks	323	638
Customer accounts (deposits)	1	17
Derivative financial instruments	19	200

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 2010, interest of R56.9 million (2009: R112.7 million) was received from entities in the Investec plc group. Interest of R3.7 million (2009: R22.3 million) was paid comparative 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 2010, this resulted in a net payment by Investec plc group of R43.3 million (2009: R98.0 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of R14.9 million (2009: R7.4 million).

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40. 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, and cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and the 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 or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2010						
Interest rate swaps – liabilities	Subordinated bonds	21	(25)	(6)	16	–

As at 28 February 2010, the IVO4 bonds were no longer hedged. The cumulative fair value is now being amortised to the income statement over the remainder of the term of the bond.

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

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and affect comprehensive income	Ineffective portion recognised in the income statement
2010				
Interest rate swaps – liabilities	Foreign currency credit paper	166	1-5 years	3

2009

There are 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.

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
41. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2010								
Liabilities								
Deposits by banks	882	1 342	631	50	3 394	3 253	–	9 552
Derivative financial instruments	7 085	1	–	1	4	54	–	7 145
– Held for trading	7 085	–	–	–	–	–	–	7 085
– Held as hedges	–	1	–	1	4	54	–	60
Repurchase agreements and cash collateral on securities lent	3 281	3 000	–	–	–	–	–	6 281
Customer accounts (deposits)	41 248	29 727	32 751	11 243	18 702	8 587	1 133	143 391
Debt securities in issue	–	234	213	456	656	–	–	1 559
Liabilities arising on securitisation	–	755	2 275	57	–	407	65	3 559
Other liabilities	306	955	1 114	278	381	560	124	3 718
	52 802	36 014	36 984	12 085	23 137	12 861	1 322	175 205
Subordinated liabilities	–	–	–	–	–	3 833	1 508	5 341
Total on balance sheet liabilities	52 802	36 014	36 984	12 085	23 137	16 694	2 830	180 546
Contingent liabilities	10 300	739	763	2 286	5 475	1 134	1 693	22 390
Total liabilities	63 102	36 753	37 747	14 371	28 612	17 828	4 523	202 936
2009								
Liabilities								
Deposits by banks	455	2 944	135	215	95	8 316	–	12 160
Derivative financial instruments	10 464	–	–	17	–	2	–	10 483
– Held for trading	10 464	–	–	–	–	–	–	10 464
– Held on hedges	–	–	–	17	–	2	–	19
Repurchase agreements and cash collateral on securities lent	2 281	–	–		–	–	9	2 290
Customer accounts (deposits)	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	–	–	–	–	–	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
Contingent 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

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all contractual 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 cash flows, please refer to page 71.

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
41. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)								
Company								
2010								
Liabilities								
Deposits by banks	741	1 342	631	50	3 394	2 667	–	8 825
Derivative financial instruments	7 085	1	–	1	4	54	–	7 145
– Held for trading	7 085	–	–	–	–	–	–	7 085
– Held as hedges	–	1	–	1	4	54	–	60
Repurchase agreements and cash collateral on securities lent	3 281	3 001	–	–	–	–	–	6 282
Customer accounts (deposits)	40 704	27 687	32 572	10 887	18 518	8 457	1 101	139 926
Debt securities in issue	–	234	213	456	656	–	–	1 559
Liabilities arising on securitisation	–	467	361	–	–	–	24	852
Other liabilities	270	936	635	236	188	82	–	2 347
	52 081	33 668	34 412	11 630	22 760	11 260	1 125	166 936
Subordinated liabilities	–	–	–	–	–	3 833	1 508	5 341
Total on balance sheet liabilities	52 081	33 668	34 412	11 630	22 760	15 093	2 633	172 277
Contingent liabilities	10 300	739	763	2 286	5 475	1 134	1 693	22 390
Total liabilities	62 381	34 407	35 175	13 916	28 235	16 227	4 326	194 667
2009								
Liabilities								
Deposits by banks	314	2 812	121	118	92	7 558	–	11 015
Derivative financial instruments	10 461	–	–	–	–	2	–	10 463
– Held for trading	10 461	–	–	–	–	–	–	10 461
– Held as hedges	–	–	–	–	–	2	–	2
Repurchase agreements and cash collateral on securities lent	2 281	–	–	–	–	–	–	2 281
Customer accounts (deposits)	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	–	–	–	–	–	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
Contingent 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

The balances in the above table will not agree directly to the balances in the balance sheet as the table incorporates all contractual 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 cash flows, please refer to page 71.

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Investec Bank Limited

Registration number: 1969/004763/06

Notice is hereby given that the annual general meeting of Investec Bank Limited will be held at 11:00 on 12 August 2010 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 2010, 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 2010.
3. To sanction the dividends paid on the ordinary and preference shares for the year ended 31 March 2010.
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 SE Abrahams, S Koseff, KXT Socikwa, and Ms CB Tshili 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 91 of the annual report.
7. To place all the un-issued 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 12 August 2010, 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 91 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.

B Coetsee
Company Secretary
Sandton
18 June 2010

Registered office:
100 Grayston Drive
Sandown
Sandton
2196

Mauritius, Ebéne Cyber City

Level 8C Cyber Tower II
Ebéne Cyber City
Telephone (230) 403 0400
Facsimile (230) 403 0498
e-mail info@investec.com

Mauritius, Port Louis

6th Floor Dias Pier Building
Le Caudan Waterfront Caudan
Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002
e-mail info@investec.com

South Africa, Cape Town

36 Hans Strijdom Avenue
Foreshore Cape Town 8001
PO Box 1826 Cape Town 8000
Telephone (27 21) 416 1000
Facsimile (27 21) 416 1001

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South Africa, Durban

5 Richefond Circle
Ridgeside Office Park
Umhlanga Durban 4319
PO Box 25278 Gateway Durban 4321
Telephone (27 31) 575 4000
Facsimile (27 865) 009 901

South Africa, East London

Pilot Mill House The Quarry
Selbourne East London 5247
PO Box 19484 Tacoma 5214
Telephone (27 43) 721 0660
Facsimile (27 43) 721 0664

South Africa, Johannesburg

100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (27 11) 286 7000
Facsimile (27 11) 286 7777
e-mail, South African offices

- Recruitment queries recruitment@investec.co.za
- Client queries
  - Asset management: comcentre@investecmail.com
  - Institutional Securities: securities@investec.co.za
  - Private Client Securities: iso@investec.co.za
  - Property Group: ipg@investec.co.za
  - Private Bank: privatebank@investec.co.za
  - Capital Markets: info-tsf@investec.co.za

South Africa, Nelspruit

2nd floor 2 McAdam Street
Cnr McAdam and Rothery Streets
Nelspruit 1200
PO Box 19428 The Village 1218
Telephone (27 13) 756 0900
Facsimile (27 13) 756 0990

South Africa, Port Elizabeth

Fairview Office Park 66 Ring Road
Greenacres Port Elizabeth 6045
PO Box 27416 Greenacres 6057
Telephone (27 41) 396 6700
Facsimile (27 41) 363 1667

South Africa, Pretoria

Cnr Atterbury and Klarinet Streets
Menlo Park Pretoria 0081
PO Box 1882 Brooklyn Square 0075
Telephone (27 12) 427 8300
Facsimile (27 12) 427 8310

South Africa, Pietermartizburg

Acacia House Redlands Estate
1 George MacFarlane Lane
Pietermaritzburg 3201
PO Box 594 Pietermaritzburg 3200
Telephone (27 33) 264 5800
Facsimile (27 33) 342 1561

South Africa, Knysna

TH24 & TH25 Long Street Ext
Thesen Harbour Town Knysna 6571
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Stellenbosch

Block D De Wagen Road Office Park
Stellentia Street Stellenbosch 7600
PO Box 516 Stellenbosch 75997
Telephone (27 21) 809 0700
Facsimile (27 21) 809 0730

Secretary and Registered Office

Benita Coetsee
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (27 11) 286 7957
Facsimile (27 11) 291 1806

Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

Ernst & Young Inc.
KPMG Inc.

Investec directors

Refer to page 91

Transfer Secretaries

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

Investec offices – contact details

Refer to page 183

For queries regarding information in this document:

Investor Relations

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

Notes

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