Investec Bank (Australia) Limited

ABN 55 071 292 594

Unaudited consolidated financial information for the six months ended 30 September 2010

Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Executive Summary

Overall performance

For the six months ended 30 September 2010, Investec Bank (Australia) Limited and its subsidiaries ("Investec Australia") reported a consolidated profit before any impairments of $31.9m (30 September 2009: $31.8m).

After loan impairments of $20.2m (30 September 2009: $25.6m), profit for the period was $11.7m (30 September 2009: $6.2m). After impairing a loan to an associated company by $9.5m (30 September 2009: Nil), the profit before tax amounted to $2.2m (30 September 2009: $6.2m).

During the period Investec Australia has continued to focus on maintaining the strength and stability of its balance sheet by carefully managing risk, capital and liquidity.

At 30 September 2010 Investec Australia had a capital adequacy ratio of 18.5% (tier 1 of 15.4%) and a core liquidity ratio of 40.1%, both well in excess of our minimum regulatory requirements.

The capital ratio is after the repayment of $25 million sub-debt redeemed in August 2010, which has been replenished by a CHF 50 million sub-debt issue in September 2010, as well as ongoing capital efficiency initiatives.

At 30 September 2010, IBAL's loan book was $3.2b, which is 4% up since 31 March 2010. In line with previously stated strategy of diversifying our loan book, we have focused on growing our loans across all sectors in which we operate.

Asset quality continues to be closely managed as we emerge from a weaker credit cycle. Impairment losses on loans for the six months of $20.2 million were 21% lower than the corresponding prior half year and represents approximately 1.3% (annualised) of the average loan book.

Total customer deposits and wholesale funding (excluding securitised liabilities and subordinated liabilities) at 30 September has increased $0.2b during the 6 months closing at $3.8b.

Private Client deposits have increased 29% since 31 March 2010 closing at $1.8b, which is mainly a result of new product launches during the period.

Wholesale funding has been actively managed to contain liquidity levels which remain high. With continued strong appetite for retail deposits, and in line with our broader deposit diversification strategy, we have recently successfully bought back $195m of our Government Guaranteed term debt, originally due for repayment in February 2012.

Other Key Financial Highlights

- Non-interest income is up 21% on the September 2009 half year as we move toward our targeted balanced business model of around 50/50 interest/non-interest income
- We continued to capitalise on the sale of select equity investments and debt/credit opportunities arising from previously dislocated credit markets.
- Professional Finance (Investec Experien) continues to perform well and represents approximately 47% of the total loan book. Further investment and additional products and services have being made over the period, with a view to establishing a market leadership position in this niche.
- The newly established Corporate Lending business achieved rapid market traction within the first six months of the financial year. A mix of corporate and leveraged business has been written and a strong deal pipeline established.
- We have continued to have a disciplined approach to keeping our costs under control.
- Since 30 September 2010, we have successfully raised an additional $48m within the Investec Global Aircraft Fund and $38m within Investec Property Opportunity Fund No. 2.

Strategy & Outlook

During the period we have experienced a reasonable level of activity and pipelines across the business. Over the past 18 months Investec Australia has successfully focused on maintaining a sound balance sheet to benefit from opportunities that emerge as markets recover. The competitive landscape in Australia has to some extent been reshaped and opened up opportunities for highly focused and specialist banks such as Investec Australia.

Our aspiration continues to be a specialist investment bank to both private clients and the corporate and institutional markets. Our aim is to create wealth for our clients. We lend, we provide investment opportunities and we find solutions.

Strategic initiatives for the next six months include:

- Selectively growing our loan portfolio with high quality clients in focused sectors;
- Expanding the Investec Experien business through investment in the platform;
- Ongoing diversification of our deposit base;
- Maintaining a balanced business model between lending and non-lending income;
- Continue to build our specialist Funds Management businesses, particularly in property, aviation and private equity;
- Expanding our Financial Markets offering to corporate clients;
- Build a significant High Net Worth platform that offers integrated solutions, including lending, corporate advisory, treasury, specialist investment products and wealth management;
- Build out and integrate our Corporate Finance, Securities and Equities Capital Markets offerings;
- Leverage off our expertise and track record in renewable energy advisory and developments; and
- Selectively seek suitable strategic growth opportunities to complement our existing offering to target clients.

In addition to the above, we will continue to closely manage risk, liquidity and capital, and maintain disciplined cost controls and operational efficiencies. We believe that our strong balance sheet and strategic focus position us well to benefit from the changed landscape and improving market conditions.

Overview of results

	6 months 30 Sept 2010	6 months 30 Sept 2009	% Change	12 months 31 March 2010
Net operating income before impairments($'mn)	**31.9**	31.8	0.3%	81.5
Operating profit before write-down of loan to associate ($'mn)	**11.7**	6.2	88.4%	30.2
Profit before income tax ($'mn)	**2.2**	6.2	-65.0%	30.2
Total shareholders' equity ($'mn)	**678.5**	669.4	1.4%	683.4
Total assets ($'mn)	**5,498.8**	4,708.4	16.8%	5,371.5
Capital adequacy ratio	**18.5%**	19.6%	-	19.2%
Tier 1 ratio	**15.4%**	15.0%	-	16.5%
Liquidity ratio	**40.1%**	39.3%	-	44.4%
Cost to income ratio	**65.4%**	63.0%	-	61.0%

Income statement

$'mn	6 months to 30 Sept 2010	6 months to 30 Sept 2009	Year to 31 March 2010
Interest income	195.4	158.1	326.1
Interest expense	(144.9)	(106.1)	(225.1)
Net interest income	**50.5**	**52.0**	**101.0**
Fee and commission income	23.8	21.9	83.5
Fee and commission expense	(3.1)	(4.0)	(6.5)
Principal transactions	24.6	19.5	37.0
Share of profit/(loss) of investments accounted for using the equity method	0.3	0.4	(0.9)
Other income	**45.6**	**37.8**	**113.1**
Total operating income	**96.1**	**89.8**	**214.1**
Impairment losses on loans	(20.2)	(25.6)	(51.3)
Net operating income	**75.9**	**64.2**	**162.8**
Operating expenses	(64.2)	(58.0)	(132.6)
Profit before write-down of loan to associate	**11.7**	**6.2**	**30.2**
Write-down of loan to associate	(9.5)	-	-
Profit before income tax	**2.2**	**6.2**	**30.2**
Income tax expense	(0.4)	(3.0)	(6.9)
Profit attributable to members	**1.8**	**3.2**	**23.3**

Consolidated balance sheet

$'mn	30 Sept 2010	31 March 2010
Assets		
Cash and liquid assets *	365.5	1,065.6
Derivative financial instruments	117.1	66.6
Financial investments - available for sale *	1,640.9	1,031.5
Loans and advances to customers	3,151.9	3,028.7
Investments accounted for using the equity method	2.5	4.6
Other financial assets	19.5	13.1
Property, plant and equipment	13.1	12.8
Deferred tax assets	26.6	30.4
Other assets	68.4	26.5
Goodwill	90.0	89.4
Assets held for sale	-	-
Intangible assets	3.3	2.3
Total assets	5,498.8	5,371.5
Liabilities		
Customer accounts	2,071.8	1,720.6
Derivative financial instruments	94.0	78.6
Debt issued and other borrowed funds	2,571.4	2,786.2
Other liabilities	10.1	57.3
Subordinated debt	73.0	45.4
Total liabilities	4,820.3	4,688.1
Total equity	678.5	683.4
Equity		
Share capital	291.7	291.7
Retained earnings	363.1	360.5
Other reserves	23.7	31.2
Total equity	678.5	683.4
Liquidity ratio	40.1%	44.4%

* Asset class (excluding equity investments) is included within High Quality Liquid Asset Ratio (liquidity ratio)

Segmental information - business analysis

For the six months to 30 September 2010 $'mn	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities*	Total group
Operating income before impairments	6.2	38.2	13.4	19.4	18.9	**96.1**
Operating expenses	(2.2)	(27.3)	(10.0)	(11.4)	(13.3)	**(64.2)**
Net contribution	4.0	10.9	3.4	8.0	5.6	**31.9**
Impairment losses on loans	-	(20.2)	-	-	-	**(20.2)**
Profit before associate write-down and income tax	**4.0**	**(9.3)**	**3.4**	**8.0**	**5.6**	**11.7**

For the six months to 30 September 2009 $'mn	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities*	Total group
Operating income before impairments	4.7	44.2	10.1	24.8	6.0	**89.8**
Operating expenses	(1.6)	(29.4)	(9.7)	(10.9)	(6.4)	**(58.0)**
Net contribution	3.1	14.8	0.4	13.9	(0.4)	**31.8**
Impairment losses on loans	-	(15.5)	-	(10.1)	-	**(25.6)**
Profit before associate write-down and income tax	**3.1**	**(0.7)**	**0.4**	**3.8**	**(0.4)**	**6.2**

* Note Treasury is included in Group Services and Other Activities for the current period
(Treasury was previously in Capital Markets)

Risk management

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

Credit and counterparty risk management

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.
Credit and counterparty risk arises primarily from three types of transactions:

• Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions;
• Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received; and
• Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk).

- Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled.
- Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

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

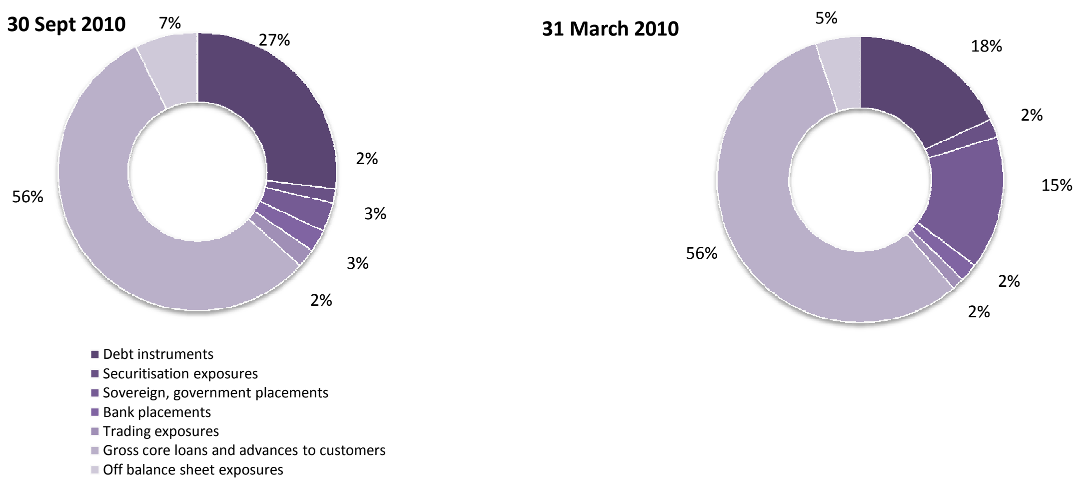
Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

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

$'mn	30 Sept 2010	31 March 2010	% change	Average*	30 Sept 2009
On-balance sheet exposures	**5,303.8**	**5,218.1**	**2%**	**5,261.0**	**4,498.1**
Securitisation exposures arising from securitisation/principal finance activities	92.2	114.1	(19%)	103.2	65.1
Rated instruments	92.2	114.1	(19%)	103.2	65.1
Debt instruments (NCDs, bonds held, debentures)	1,545.8	996.2	55%	1,271.0	1,138.9
Bank placements	148.2	115.8	28%	132.0	275.1
Sovereign, government placements	193.9	827.3	(77%)	510.6	-
Trading exposures (positive fair value excluding potential future exposures)	125.6	76.6	64%	101.1	87.4
Gross core loans and advances to customers	3,198.1	3,088.1	4%	3,143.1	2,931.6
Off-balance sheet exposures	**416.7**	**279.6**	**49%**	**348.1**	**274.4**
Guarantees	70.2	66.9	5%	68.5	64.5
Contingent liabilities, committed facilities and other	346.5	212.7	63%	279.6	209.9
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**5,720.5**	**5,497.7**	**4%**	**5,609.1**	**4,772.5**

*Average is based on a straight line average

Gross credit by counterparty exposures



Risk management

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

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

$'mn	Securitisation exposures arising from securitisation/ principal finance activities - Rated instruments	Debt instruments (NCDs, bonds held, debentures)	Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure (i)	Total balance sheet
As at 30 September 2010									
Cash and liquid assets	-	15.0	148.2	193.9	8.5	-	365.5	-	365.5
Derivative financial instruments	-	-	-	-	117.1	-	117.1	-	117.1
Financial investments - available for sale	92.2	1,530.9	-	-	-	-	1,623.1	17.8	1,640.9
Loans and advances to customers	-	-	-	-	-	3,198.1	3,198.1	(46.2)	3,151.9
Investments accounted for using the equity method	-	-	-	-		-	-	2.5	2.5
Other financial assets	-	-	-	-	-	-	-	19.5	19.5
Property, plant and equipment	-	-	-	-	-	-	-	13.1	13.1
Deferred tax assets	-	-	-	-	-		-	26.6	26.6
Other assets	-	-	-	-	-	-	-	68.4	68.4
Goodwill	-	-	-	-	-	-	-	90.0	90.0
Intangible assets	-	-	-	-	-	-	-	3.3	3.3
Total	**92.2**	**1,545.8**	**148.2**	**193.9**	**125.6**	**3,198.1**	**5,303.8**	**195.0**	**5,498.8**
As at 31 March 2010									
Cash and liquid assets	-	112.5	115.8	827.3	10.0	-	1,065.6	-	1,065.6
Derivative financial instruments	-	-	-	-	66.6	-	66.6	-	66.6
Financial investments - available for sale	114.1	883.7	-	-	-	-	997.8	33.7	1,031.5
Loans and advances to customers	-	-	-	-	-	3,088.1	3,088.1	(59.4)	3,028.7
Investments accounted for using the equity method	-	-	-	-	-	-	-	4.6	4.6
Other financial assets	-	-	-	-	-	-	-	13.1	13.1
Property, plant and equipment	-	-	-	-	-	-	-	12.8	12.8
Deferred tax assets	-	-	-	-	-	-	-	30.4	30.4
Other assets	-	-	-	-	-	-	-	26.5	26.5
Goodwill	-	-	-	-	-	-	-	89.4	89.4
Intangible assets	-	-	-	-	-	-	-	2.3	2.3
Total	**114.1**	**996.2**	**115.8**	**827.3**	**76.6**	**3,088.1**	**5,218.1**	**153.4**	**5,371.5**

(i) Assets that are non-interest bearing are deemed to have no credit exposure for the purpose of above disclosure.

Risk management

An analysis of gross credit and counterparty exposure by industry

$'mn	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
Private Bank, professional and HNW individuals	2,832.0	2,829.0	293.8	210.1	3,125.8	3,039.1
Agriculture	2.1	3.6	-	-	2.1	3.6
Electricity, gas and water (utility services)	98.2	119.8	6.3	4.3	104.4	124.1
Public and non-business services	14.8	-	203.6	827.3	218.3	827.3
Finance and insurance (including central banks)	4.5	-	1,786.5	1,177.9	1,791.0	1,177.9
Retailers and wholesalers	25.9	-	-	-	25.9	-
Manufacturing and commerce	25.4	23.0	7.3	0.7	32.7	23.7
Real estate	72.3	-	92.2	114.1	164.6	114.1
Mining and resources	67.7	55.8	110.6	73.5	178.3	129.3
Leisure, entertainment and tourism	5.4	5.1	-	-	5.4	5.1
Transport and communication	49.8	51.8	22.1	1.7	72.0	53.5
				-		
Total	3,198.1	3,088.1	2,522.6	2,409.6	5,720.5	5,497.7

$'mn	Private Bank, professional and HNW individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Finance and insurance (including central banks)	Retailers and wholesalers	Manufacturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and communication	Total
As at 30 September 2010												
On-balance sheet exposures	2,832.5	2.1	98.2	208.6	1,791.0	25.9	25.4	164.6	78.2	5.4	72.0	5,303.8
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	-	-	92.2	-	-	-	92.2
Rated instruments	-	-	-	-	-	-	-	92.2	-	-	-	92.2
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	1,525.3	-	-	-	-	-	20.5	1,545.8
Bank placements	-	-	-	-	148.2	-	-	-	-	-	-	148.2
Sovereign, government placements	-	-	-	193.9	-	-	-	-	-	-	-	193.9
Trading exposures (positive fair value excluding potential future exposures)	0.5	-	-	-	113.0	-	-	-	10.5	-	1.6	125.6
Gross core loans and advances to customers	2,832.0	2.1	98.2	14.8	4.5	25.9	25.4	72.3	67.7	5.4	49.8	3,198.1
Off-balance sheet exposures	293.4	-	6.3	9.7	-	-	7.3	-	100.1	-	-	416.7
Guarantees	28.8	-	3.7	-	-	-	0.2	-	37.5	-	-	70.2
Contingent liabilities, committed facilities and other	264.5	-	2.6	9.7	-	-	7.1	-	62.6	-	-	346.5
Total gross credit and counterparty exposures pre collateral or other credit enhancements	3,125.8	2.1	104.4	218.3	1,791.0	25.9	32.7	164.6	178.3	5.4	72.0	5,720.5
As at 31 March 2010												
On-balance sheet exposures	2,829.9	3.6	120.2	827.3	1,177.9	-	23.0	114.1	63.6	5.1	53.4	5,218.1
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	-	-	114.1	-	-	-	114.1
Rated instruments	-	-	-	-	-	-	-	114.1	-	-	-	114.1
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	996.2	-	-	-	-	-	-	996.2
Bank placements	-	-	-	-	115.8	-	-	-	-	-	-	115.8
Sovereign, government placements	-	-	-	827.3	-	-	-	-	-	-	-	827.3
Trading exposures (positive fair value excluding potential future exposures)	0.9	-	0.4	-	65.9	-	-	-	7.8	-	1.6	76.6
Gross core loans and advances to customers	2,829.0	3.6	119.8	-	-	-	23.0	-	55.8	5.1	51.8	3,088.1
Off-balance sheet exposures	209.2	-	3.9	-	-	-	0.7	-	65.7	-	0.2	279.6
Guarantees	30.0	-	3.8	-	-	-	0.2	-	32.9	-	-	66.9
Contingent liabilities, committed facilities and other	179.2	-	0.1	-	-	-	0.5	-	32.8	-	0.2	212.7
Total gross credit and counterparty exposures pre collateral or other credit enhancements	3,039.1	3.6	124.1	827.3	1,177.9	-	23.7	114.1	129.3	5.1	53.5	5,497.7

Risk management

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment* takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual / credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. 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; • Any re-structured 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
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: ▪ Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business. ▪ Likely dividend or amount recoverable on liquidation or bankruptcy. ▪ Nature and extent of claims by other creditors. ▪ Amount and timing of expected cash flows. ▪ Realisable value of security held (or other credit mitigants). ▪ Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. ▪ The risk that such credit exposure may become an impaired asset is probable; ▪ The bank is relying, to a large extent, on available collateral; or ▪ The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category).
		Doubtful	▪ The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	▪ A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or ▪ Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.

Asset quality

$'mn	30 Sept 2010	31 March 2010
Current loans and advances to customers	2,740.6	2,649.5
Non current loans and advances to customers	457.5	438.6
Past due loans and advances to customers (1-90 days)	95.4	57.1
Special mention loans and advances to customers	3.5	13.3
Default loans and advances to customers	358.6	368.1
Gross core loans and advances to customers	**3,198.1**	**3,088.1**
Total impairments	(46.2)	(59.4)
Specific impairments	(44.1)	(57.4)
Portfolio impairments	(2.1)	(2.0)
Net core loans and advances to customers	**3,151.9**	**3,028.7**
Average gross core loans and advances to customers	**3,143.1**	**3,025.3**
Total gross non current loans and advances to customers	**457.5**	**438.6**
- Gross core loans and advances to customers that are past due but not impaired	325.1	260.8
- Gross core loans and advances to customers that are impaired	132.4	177.8
Total income statement charge for impairments against core loans (September 2009: $25.6m)	20.2	50.8
Gross core loans and advances to customers that are impaired	132.4	177.8
Specific impairments	(44.1)	(57.4)
Impaired loans net of specific impairments	**88.3**	**120.5**
Collateral and other credit enhancements	89.4	121.9
Net default loans and advances to customers (limited to zero)	-	-
Specific impairments as a % of gross core loans and advances to customers	1.4%	1.9%
Specific impairments as a % of gross default loans	12.3%	15.6%
Default loans as a % of gross core loans and advances to customers	11.2%	11.9%
Impaired loans net of specific impairments as a % of gross core loans and advances to customers	2.8%	3.9%
Annualised credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.3%	1.7%

Risk management

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

$'mn	30 Sept 2010	31 March 2010
Default loans that are current	1.2	1.9
1 - 60 days	53.0	57.5
61 - 90 days	45.9	13.2
91 - 180 days	110.7	6.9
181 - 365 days	7.0	143.9
>365 days	239.7	215.2
Total gross non-current loans and advances to customers (actual capital exposure)	**457.5**	**438.6**
1 - 60 days	4.4	2.3
61 - 90 days	1.8	3.9
91 - 180 days	82.7	2.1
181 - 365 days	4.9	133.2
>365 days	226.6	214.1
Total gross non-current loans and advances to customers (actual amount in arrears)	**320.4**	**355.6**

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

$'mn	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
As at 30 September 2010							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	53.0	45.9	97.3	6.6	122.3	325.1
Amount in arrears		4.4	1.8	70.0	4.5	122.3	203.0
Gross core loans and advances to customers that are impaired							
Total capital exposure	1.2	-	-	13.4	0.4	117.4	132.4
Amount in arrears	-	-	-	12.7	0.4	104.3	117.4
As at 31 March 2010							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	57.3	13.2	5.5	85.3	99.5	260.8
Amount in arrears	-	2.3	3.9	1.6	74.9	98.6	181.3
Gross core loans and advances to customers that are impaired							
Total capital exposure	1.9	0.2	-	1.4	58.6	115.7	177.8
Amount in arrears	-	-	-	0.5	58.3	115.5	174.3

An age analysis based of gross non-current core loans and advances to customers as at 30 September 2010 (based on total capital exposure)

$'mn	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)		50.3	-				50.3
Special mention	-	2.7	45.9	-	-	-	48.6
Special mention (61 - 90 days)	-	-	45.1	-	-	-	45.1
Special mention (1 - 90 days management concerned)	-	2.7	0.8	-	-	-	3.5
Default	1.2	-	-	110.7	7.0	239.7	358.6
Sub-standard	-			97.3	6.6	122.3	226.2
Doubtful	1.2	-	-	13.4	0.4	117.4	132.4
Loss	-	-	-	-	-	-	-
Total	1.2	53.0	45.9	110.7	7.0	239.7	457.5

An age analysis based of gross non-current core loans and advances to customers as at 30 September 2010 (based on actual amount in arrears)

$'mn	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)		4.2	-	-	-	-	4.2
Special mention	-	0.2	1.8	-	-	-	2.0
Special mention (61 - 90 days)	-	-	1.8	-	-	-	1.8
Special mention (1 - 90 days management concerned)	-	0.2	-	-	-	-	0.2
Default	-	-	-	82.7	4.9	226.6	314.2
Sub-standard	-	-	-	70.0	4.5	122.3	196.8
Doubtful	-	-	-	12.7	0.4	104.3	117.4
Loss							-
Total	-	4.4	1.8	82.7	4.9	226.6	320.4

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

$'mn	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	57.2	-	-	-	-	57.2
Special mention	-	0.1	13.2	-	-	-	13.3
Special mention (61 - 90 days)	-	0.1	4.2	-	-	-	4.3
Special mention (1 - 90 days management concerned)	-	-	9.0	-	-	-	9.0
Default	1.9	0.2	-	6.9	143.9	215.2	368.1
Sub-standard	-	-	-	5.5	85.3	99.5	190.3
Doubtful	1.9	0.2	-	1.4	58.6	115.7	177.8
Loss	-	-	-	-	-	-	-
	-	-	-	-	-	-	
Total	1.9	57.5	13.2	6.9	143.9	215.2	438.6

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

$'mn	Current	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	2.3	-	-	-	-	2.3
Special mention	-	-	3.9	-	-	-	3.9
Special mention (61 - 90 days)	-	-	3.6	-	-	-	3.6
Special mention (1 - 90 days management concerned)	-	-	0.3	-	-	-	0.3
Default	-	-	-	2.1	133.2	214.1	349.4
Sub-standard	-	-	-	1.6	74.9	98.6	175.1
Doubtful	-	-	-	0.5	58.3	115.5	174.3
Loss	-	-	-	-	-	-	-
	-	-	-	-	-	-	
Total	-	2.3	3.9	2.1	133.2	214.1	355.6

Risk management

An analysis of core loans and advances to customers

$'mn	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 30 September 2010								
Current core loans and advances	2,740.6	-	-	2,740.6	-	(2.1)	2,738.5	-
Past due (1-60 days)	-	50.3	-	50.3	-	-	50.3	4.2
Special mention	-	48.6	-	48.6	-	-	48.6	2.0
Special mention (1 - 90 days)	-	45.1	-	45.1	-	-	45.1	1.8
Special mention (61 - 90 days and item well secured)	-	3.5	-	3.5	-	-	3.5	0.2
Default	-	226.2	132.4	358.6	(44.1)	-	314.5	314.2
Sub-standard	-	226.2	-	226.2	-	-	226.2	196.8
Doubtful	-	-	132.4	132.4	(44.1)	-	88.3	117.4
Loss	-	-	-	-	-	-	-	-
Total	2,740.6	325.1	132.4	3,198.1	(44.1)	(2.1)	3,151.9	320.4
As at 31 March 2010								
Current core loans and advances	2,649.5	-	-	2,649.5	-	(2.0)	2,647.5	-
Past due (1-60 days)	-	57.2	-	57.2	-	-	57.1	2.3
Special mention	-	13.3	-	13.3	-	-	13.3	3.9
Special mention (1 - 90 days)	-	4.3	-	4.3	-	-	4.3	3.6
Special mention (61 - 90 days and item well secured)	-	9.0	-	9.0	-	-	9.0	0.3
Default	-	190.3	177.8	368.1	(57.4)	-	310.7	349.4
Sub-standard	-	190.3	-	190.3	-	-	190.3	175.1
Doubtful	-	-	177.8	177.8	(57.4)	-	120.5	174.3
Loss	-	-	-	-	-	-	-	-
Total	2,649.5	260.8	177.8	3,088.1	(57.4)	(2.0)	3,028.7	355.6

Risk management

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

$'mn	Current core loans and advances	Past due (1-60 days)	Special mention (1 - 90 days in arrears and management concerned)	Special mention (61 - 90 days and well secured)	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
As at 30 September 2010											
Private Bank, professional and HNW individuals	2,387.5	50.3	3.5	45.2	226.3	119.1	-	2,831.9	(2.1)	(36.9)	(39.0)
Corporate sector	333.6	-	-	-	-	13.3	-	346.9	-	(7.2)	(7.2)
Banking, insurance, financial services (excluding sovereign)	4.5	-	-	-	-	-	-	4.5	-	-	-
Public and government sector (including central banks)	14.8	-	-	-	-	-	-	14.8	-	-	-
Total gross core loans and advances to customers	2,740.4	50.3	3.5	45.2	226.3	132.4	-	3,198.1	(2.1)	(44.1)	(46.2)
As at 31 March 2010											
Private Bank, professional and HNW individuals	2,409.9	57.2	4.3	9.0	186.6	162.0	-	2,829.0	(2.0)	(49.4)	(51.4)
Corporate sector	239.6	-	-	-	3.7	15.8	-	259.1	-	(8.0)	(8.0)
Banking, insurance, financial services (excluding sovereign)	-	-	-	-	-	-	-	-	-	-	-
Public and government sector (including central banks)	-	-	-	-	-	-	-	-	-	-	-
Total gross core loans and advances to customers	2,649.5	57.1	4.3	9.0	190.3	177.8	-	3,088.1	(2.0)	(57.4)	(59.4)

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

$'mn	30 September 2010	31 March 2010
Private Bank, professional and HNW individuals	2,831.9	2,829.0
Corporate sector	346.9	259.1
Banking, insurance, financial services (excluding sovereign)	4.5	-
Public and government sector (including central banks)	14.8	-
Total gross core loans and advances to customers	3,198.1	3,088.1

Collateral

	Collateral held against		
	Gross core loans and advances	Other credit and counterparty exposures *	Total
As at 30 September 2010			
Eligible financial collateral	34.0	14.4	48.4
Cash	34.0	14.4	48.4
Mortgages	2,550.7	-	2,550.7
Residential mortgages	97.2	-	97.2
Residential development	975.2	-	975.2
Commercial property developments	784.4	-	784.4
Commercial property investments	693.8	-	693.8
Other collateral	1,740.3	-	1,740.3
Unlisted shares	355.2	-	355.2
Asset backed lending	630.9	-	630.9
Guarantees	13.9	-	13.9
Other	740.3	-	740.3
Total collateral	4,324.9	14.4	4,339.3
As at 31 March 2010			
Eligible financial collateral	66.2	-	66.2
Cash	66.2	-	66.2
Mortgages	2,221.4	-	2,221.4
Residential mortgages	66.2	-	66.2
Residential development	889.8	-	889.8
Commercial property developments	885.5	-	885.5
Commercial property investments	379.9	-	379.9
Other collateral	1,642.2	-	1,642.2
Unlisted shares	355.4	-	355.4
Asset backed lending	611.4	-	611.4
Guarantees	4.0	-	4.0
Other	671.4	-	671.4
Total collateral	3,929.8	-	3,929.8

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

Risk management

Traded market risk management

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.

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis and Value at Risk (VaR). Stress testing is also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 95% confidence interval. 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 99% one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the 99% one-day VaR, a "back testing breach" is considered to have occurred. There were no back testing breaches for the past financial year.

VaR 95% (one-day)

$'mn	**30 September 2010**	**31 March 2010 ***
Position	0.002	0.009
Option		-
Interest rates	0.089	0.146
Consolidated	0.090	**0.154**
High	0.202	0.230
Low	0.015	0.069
Average	0.091	0.141

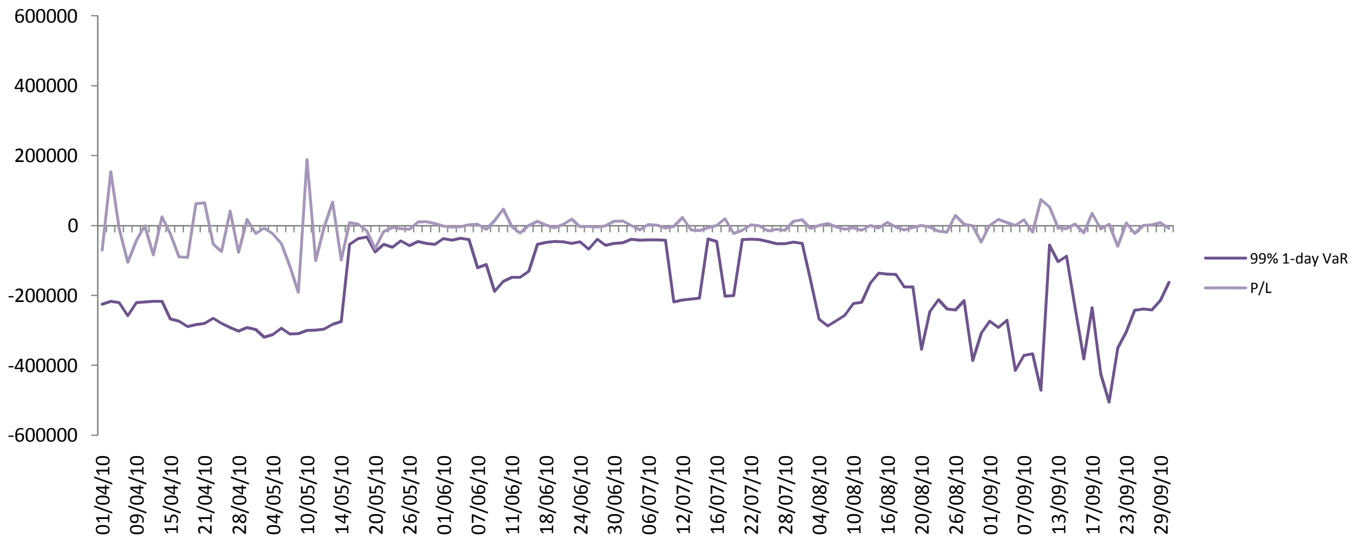
* 31 March 2010 is calculated at a 99% confidence interval

Risk management

Traded market risk management

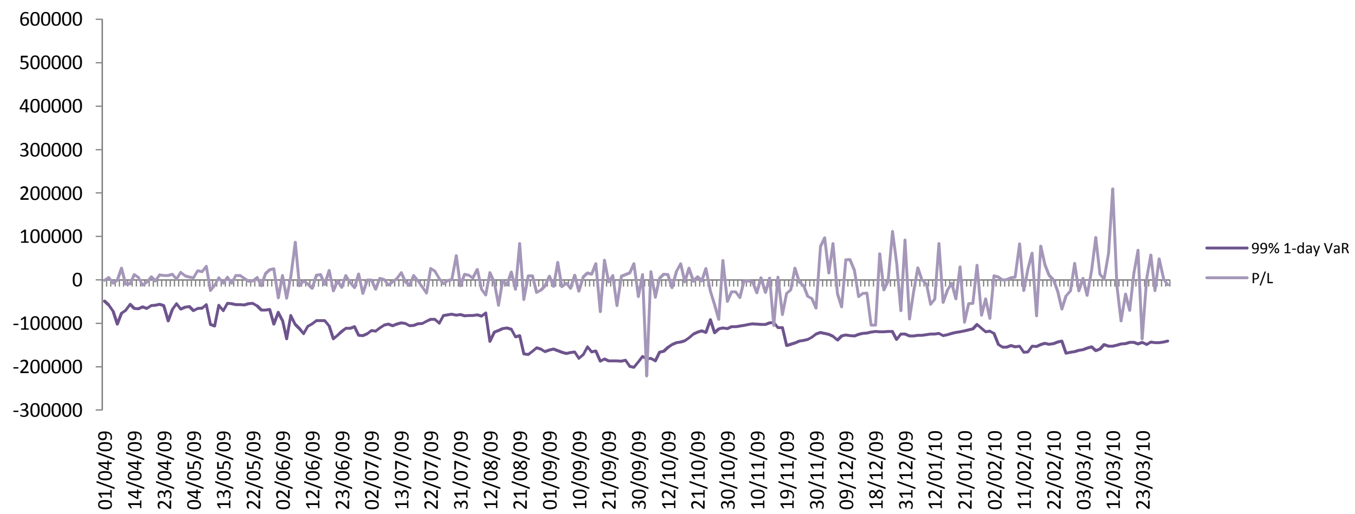
The graphs below show total daily VaR and profit and loss figures (pnl) for our trading activities over the reporting period. The values are for the 99% one-day VaR i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge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

For the year ended 30 September 2010



There have been no exceptions i.e. where the loss is greater than the VaR.

For the year ended 31 March 2010



There have been two exceptions over the past year, i.e. where the loss is greater than the VaR. This is in line with expectations at the 99% level. These exceptions arose between October and November 2009 due to large movements in Australian and US interest rates.

Risk management

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from Investec Australia's investment portfolio.

	Change in equity price % Sep-10	Effect on equity $'mn Sep-10	Change in equity price % Mar-10	Effect on equity $'mn Mar-10
Market Indices				
ASX small cap	**+ / - 43.7**	**5.9 / (3.7)**	+ / - 49.3	6.4 / (6.0)

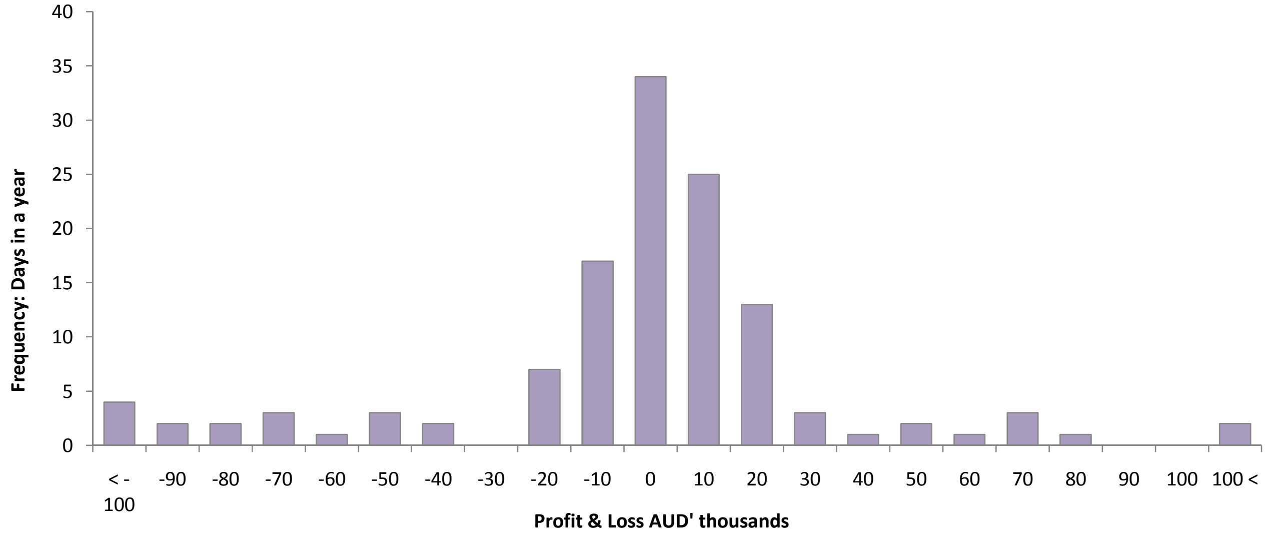
Stress testing

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

$'mn	30 Sept 2010	31 March 2010
Position	0.004	0.050
Option	-	-
Interest rates	1.138	0.846
Consolidated	**1.177**	**0.896**

Profit and loss histograms

The histogram below illustrates the distribution in daily revenue during the 6 months ending 30 September 2010 for our trading business. The graph shows that negative trading revenue was realised on 41 days out of a total of 126 days in the trading business. The average daily trading loss generated for the 6 months ending 30 September 2010 was $6,594 (March 2010: loss of $3,929).



Risk management

Balance sheet risk management

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

Non-trading interest rate risk description

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

Interest rate sensitivity gap

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

As at 30 September 2010 $'mn	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 liquid assets	365.5	-	-	-	-	-	365.5
Financial investments - available for sale	488.5	804.2	131.7	185.3	-	31.2	1,640.9
Loans and advances to customers	1,114.4	1,101.4	282.5	615.3	15.6	22.7	3,151.9
Non-rate assets	-	-	-	-	-	340.5	340.5
Assets	**1,968.4**	**1,905.6**	**414.2**	**800.6**	**15.6**	**394.4**	**5,498.8**
Customer accounts	1,101.6	691.1	148.8	89.8	7.7	32.8	2,071.8
Debt issued and other borrowed funds	785.1	900.3	32.3	850.0	-	3.7	2,571.4
Subordinated debt	-	72.7	-	-	-	0.3	73.0
Non-rate liabilities	-	-	-	-	-	104.1	104.1
Liabilities	**1,886.7**	**1,664.1**	**181.1**	**939.8**	**7.7**	**140.9**	**4,820.3**
Shareholders' funds	-	-	-	-	-	678.5	678.5
Balance sheet	**81.7**	**241.5**	**233.1**	**(139.2)**	**7.9**	**(425.0)**	**-**
Hedges	709.0	(1,380.3)	105.5	569.3	(3.9)	0.4	-
Repricing gap	**790.7**	**(1,138.8)**	**338.6**	**430.1**	**4.0**	**(424.6)**	**-**
Cumulative repricing gap	790.7	(348.1)	(9.5)	420.6	424.6	-	

Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The calculation involves measuring the present value of cashflows in the Banking Book, then recalculating the present value of cashflows having stressed the interest rate curve by 200bps. The difference between the two is the measured EVaR.

$'mn	AUD
200bp Down	-1.35
200bp Up	1.35

Risk management

Balance sheet risk management

Liquidity risk description

Liquidity risk is the risk that we have insufficient capacity to fund contracted 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.

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

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

Liquidity mismatch

The tables following show our undiscounted contractual liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

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.

Risk management

Contractual liquidity

As at 30 September 2010 $'mn	Up to 1 month	1 - 3 months	3 - 12 months	1 to 5 years	> 5 years	Not specified	Total
Cash and liquid assets	230.7	-	13.0	81.2	40.6	-	365.5
Derivative financial instruments	1.8	2.2	25.0	80.0	8.1	-	117.1
Financial investments - available for sale	211.5	317.6	187.5	864.6	59.7	-	1,640.9
Loans and advances to customers	139.6	378.8	1,128.0	1,397.1	108.4	-	3,151.9
Other assets	-	-	-	-	-	223.4	223.4
Assets	**583.6**	**698.6**	**1,353.5**	**2,422.9**	**216.8**	**223.4**	**5,498.8**
Customer accounts (1)	811.2	637.8	508.7	106.4	7.7	-	2,071.8
Derivative financial instruments	1.7	22.6	12.1	36.8	20.8	-	94.0
Debt issued and other borrowed funds	108.8	158.3	789.4	1,512.6	2.3	-	2,571.4
Other liabilities	-	-	-	-	-	10.1	10.1
Subordinated debt	-	-	-	73.0	-	-	73.0
Liabilities	**921.7**	**818.7**	**1,310.2**	**1,728.8**	**30.8**	**10.1**	**4,820.3**
Shareholders' funds	-	-	-	-	-	678.5	678.5
Liquidity gap	**(338.1)**	**(120.1)**	**43.3**	**694.1**	**186.0**	**(465.2)**	**-**
Cumulative liquidity gap	(338.1)	(458.2)	(414.9)	279.2	465.2	-	-

(1) Includes substantial "core" deposits that are contractually at call and are represented as such in this disclosure, but history demonstrates such accounts provide a stable source of long term funding.

Behavioural liquidity

$'mn	Next day	Up to 1 month	3 - 12 months	1 to 5 years	> 5 years	Not specified	Total
Behavioural liquidity gap	1,770.5	(249.4)	(670.8)	(342.2)	(141.0)	(366.9)	-
Cumulative	1,770.5	1,521.0	850.2	507.9	366.9	-	-

Capital adequacy

$'mn	30 Sept 2010	31 March 2010
Regulatory capital		
Tier 1		
Called up share capital	291.7	291.7
Retained income	361.1	360.3
Other reserves	(2.8)	(6.9)
Total Tier 1	**650.0**	**645.1**
Less: deductions	(154.9)	(165.6)
Net Tier 1	**495.1**	**479.5**
Capital (net of deductions)	100.1	76.2
Tier 2	**100.1**	**76.2**
Total capital	**595.2**	**555.7**
Risk-weighted assets (banking and trading)	**3,217.6**	**2,897.3**
Credit risk - prescribed standardised exposure classes	2,793.9	2,484.2
Corporates	2,110.7	1,780.5
Secured on real estate property	43.1	37.2
Counterparty risk on trading positions	50.2	41.2
Short term claims on institutions and corporates	23.4	33.7
Retail	99.2	120.9
Institutions	61.0	68.6
Other exposure classes	406.3	402.1
Equity risk - standardised approach	48.1	61.1
Listed equities	15.0	15.8
Unlisted equities	33.1	45.2
Market risk - portfolios subject to internal models approach	19.9	17.4
Interest rate	19.2	16.3
Foreign Exchange	0.3	1.1
Commodities	0.4	-
Operational risk - standardised approach	355.6	334.6
Total capital adequacy ratio	**18.5%**	**19.2%**
Tier 1 ratio	**15.4%**	**16.5%**
Total capital adequacy ratio - pre operational risk	**20.8%**	**21.7%**
Tier 1 ratio - pre operational risk	**17.3%**	**18.7%**