



**Investec Bank plc financial information (a subsidiary of Investec plc)**

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

IFRS - Pounds Sterling

*Out of the Ordinary®*

 **Investec**



## Overview of results

Unaudited

	30 Sept 2010	30 Sept 2009	% change	31 March 2010
Operating income (£'000)	324,287	243,465	33.2%	550,344
Operating expenses (£'000)	224,851	163,079	37.9%	383,708
Operating profit before non-operating items, taxation, impairments and after minorities (£'000)	107,032	92,066	16.3%	182,933
Operating profit before non operating items, taxation and after minorities (£'000)	42,445	31,020	36.8%	49,747
Earnings attributable to ordinary shareholders (£'000)	28,875	33,289	(13.3%)	52,712
Cost to income ratio	69.3%	67.0%	-	69.7%
Total capital resources (including subordinated liabilities) (£'000)	1,826,966	1,733,283	5.4%	1,720,020
Total shareholders' equity (£'000)	1,333,903	1,096,246	21.7%	1,181,699
Total assets* (£'000)	17,507,786	14,009,152	25.0%	16,980,726
Net core loans and advances (£'000)	7,260,850	7,304,713	(0.6%)	7,224,552
Customer accounts (deposits) (£'000)	9,960,754	6,872,180	44.9%	9,264,474
Cash and near cash balances (£'000)	4,706,297	2,990,918	57.4%	4,605,196
Capital adequacy ratio	17.5%	15.7%	-	16.9%
Tier 1 ratio	12.9%	11.1%	-	12.3%
Default loans (net of impairments) as a % of core loans and advances	5.78%	5.36%	-	4.96%
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-	-	-
Annualised credit loss ratio (i.e. income statement charge as a % of average loans and advances)	1.59%	1.64%	-	1.71%
Total gearing/leverage ratio (i.e. total assets to equity)	13.1x	12.6x	-	14.4x
Core loans (excluding own originated assets) as a % of customer deposits	67.9%	98.8%	-	72.4%

\*The prior year balance sheet has been restated to adjust the values of derivative assets and liabilities where, whilst the legal right to settle net exists, it is not market practice to do so. This restatement had no impact on equity.



## Investec Bank plc - consolidated income statement

Unaudited

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	Year to 31 March 2010
Interest income	349,135	271,838	537,082
Interest expense	(235,024)	(176,588)	(374,022)
<b>Net interest income</b>	<b>114,111</b>	<b>95,250</b>	<b>163,060</b>
Fee and commission income	94,629	82,481	166,966
Fee and commission expense	(8,045)	(6,707)	(16,096)
Principal transactions	117,875	64,173	218,724
Operating income from associates	562	479	88
Other operating income	5,155	7,789	17,602
<b>Other income</b>	<b>210,176</b>	<b>148,215</b>	<b>387,284</b>
<b>Total operating income before impairment losses on loans and advances</b>	<b>324,287</b>	<b>243,465</b>	<b>550,344</b>
Impairment losses on loans and advances	(64,587)	(61,046)	(133,186)
<b>Operating income</b>	<b>259,700</b>	<b>182,419</b>	<b>417,158</b>
Administrative expenses	(215,054)	(153,677)	(361,331)
Depreciation, amortisation and impairment of property, equipment and software	(9,797)	(9,402)	(22,377)
<b>Operating profit</b>	<b>34,849</b>	<b>19,340</b>	<b>33,450</b>
Write down of subsidiaries held for sale	(7,942)	-	-
<b>Profit before taxation</b>	<b>26,907</b>	<b>19,340</b>	<b>33,450</b>
Taxation	(9,237)	2,269	2,965
<b>Profit after taxation</b>	<b>17,670</b>	<b>21,609</b>	<b>36,415</b>
Operating losses attributable to minority interest	7,596	11,680	16,297
Write down of subsidiaries held for sale attributable to minorities	3,609	-	-
<b>Earnings attributable to shareholders</b>	<b>28,875</b>	<b>33,289</b>	<b>52,712</b>

## Consolidated statement of comprehensive income

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	Year to 31 March 2010
Profit after taxation	17,670	21,609	36,415
Other comprehensive income:			
Fair value movements on cash flow hedges	2,407	10,625	13,095
Profit on realisation of available for sale assets recycled through the income statement	(2,185)	(5,064)	(7,902)
Fair value movements on available for sale assets	8,662	22,813	20,425
Foreign currency movements	5,344	1,733	9,972
<b>Total comprehensive income</b>	<b>31,898</b>	<b>51,716</b>	<b>72,005</b>
Total comprehensive loss attributable to minority shareholders	(11,181)	(13,498)	(17,829)
Total comprehensive income attributable to ordinary shareholders	43,079	65,214	89,834
<b>Total comprehensive income</b>	<b>31,898</b>	<b>51,716</b>	<b>72,005</b>



## Investec Bank plc - consolidated balance sheet

Unaudited

£'000	30 Sept 2010	31 March 2010	30 Sept 2009 *
<b>Assets</b>			
Cash and balances at central banks	1,208,023	2,008,743	1,182,776
Loans and advances to banks	1,079,260	1,307,254	922,128
Reverse repurchase agreements and cash collateral on securities borrowed	877,313	490,494	215,395
Trading securities	395,189	347,763	249,426
Derivative financial instruments	838,819	757,136	795,042
Investment securities	2,449,893	1,880,655	1,155,627
Loans and advances to customers	8,691,405	8,226,215	7,830,134
Securitised assets	1,181,367	1,121,867	854,603
Interests in associated undertakings	12,700	14,345	16,009
Deferred taxation assets	79,319	84,730	82,012
Other assets	419,754	488,424	465,624
Property and equipment	33,479	140,321	139,712
Goodwill	92,177	86,561	73,375
Intangible assets	26,955	26,218	27,289
Non-current assets classified as held for sale	122,133	-	-
	<b>17,507,786</b>	<b>16,980,726</b>	<b>14,009,152</b>
<b>Liabilities</b>			
Deposits by banks	980,254	1,445,131	2,030,136
Derivative financial instruments	680,596	539,389	660,681
Other trading liabilities	239,969	190,295	97,267
Repurchase agreements and cash collateral on securities lent	378,846	545,018	333,882
Customer accounts (deposits)	9,960,754	9,264,474	6,872,180
Debt securities in issue	1,786,215	1,772,674	1,065,238
Liabilities arising on securitisation	1,054,074	1,048,368	815,643
Current taxation liabilities	69,687	65,128	61,494
Deferred taxation liabilities	12,662	7,204	5,567
Other liabilities	414,298	383,025	333,781
Liabilities directly associated with non-current assets held for sale	103,465	-	-
	<b>15,680,820</b>	<b>15,260,706</b>	<b>12,275,869</b>
Subordinated liabilities	493,063	538,321	637,037
	<b>16,173,883</b>	<b>15,799,027</b>	<b>12,912,906</b>
<b>Equity</b>			
Called up share capital	836,000	748,000	703,000
Share premium	116,645	70,533	46,797
Other reserves	70,475	56,914	53,036
Retained income	319,179	303,467	287,930
<b>Shareholders' equity excluding minority interest</b>	<b>1,342,299</b>	<b>1,178,914</b>	<b>1,090,763</b>
Minority interest	(8,396)	2,785	5,483
<b>Total shareholders' equity</b>	<b>1,333,903</b>	<b>1,181,699</b>	<b>1,096,246</b>
<b>Total liabilities and equity</b>	<b>17,507,786</b>	<b>16,980,726</b>	<b>14,009,152</b>

\*The prior year balance sheet has been restated to adjust the values of derivative assets and liabilities where, whilst the legal right to settle net exists, it is not market practice to do so. This restatement had no impact on equity.



## Investec Bank plc - condensed consolidated statement of changes in equity

Unaudited

£'000	6 months to 30 Sept 2010	Year to 31 March 2010	6 months to 30 Sept 2009
<b>Balance at the beginning of the period</b>	<b>1,181,699</b>	<b>986,169</b>	<b>986,169</b>
Profit after taxation	17,670	36,415	21,609
Fair value movements on cash flow hedges	2,407	13,095	10,625
Profit on realisation of available for sale assets recycled through the income statement	(2,185)	(7,902)	(5,064)
Fair value movements on available for sale assets	8,662	20,425	22,813
Foreign currency movements	5,344	9,972	1,733
<b>Total comprehensive income for the period</b>	<b>31,898</b>	<b>72,005</b>	<b>51,716</b>
Share based payments adjustments	1,194	998	929
Dividends paid to ordinary shareholders	(15,000)	(5,000)	-
Dividends paid to minority shareholders	-	(136)	-
Issue of ordinary shares	134,112	126,168	57,432
Issue of equity by subsidiaries	-	1,142	-
Minorities arising on acquisition of subsidiaries	-	353	-
<b>Balance at the end of the period</b>	<b>1,333,903</b>	<b>1,181,699</b>	<b>1,096,246</b>



## Investec Bank plc - segmental information - business analysis

Unaudited

For the six months to 30 September 2010

£'000	Wealth and Investment*	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
<b>Net interest income</b>	383	632	65,778	(2,480)	58,774	(8,976)	114,111
Fee and commission income	1,481	2,119	19,421	31,947	32,937	6,724	94,629
Fee and commission expense	(260)	(824)	(3,578)	(2,305)	(904)	(174)	(8,045)
Principal transactions	1,681	2,151	6,813	17,662	79,926	9,642	117,875
Operating income from associates	244	-	172	146	-	-	562
Other operating income	-	-	-	4,364	-	791	5,155
<b>Other income</b>	<b>3,146</b>	<b>3,446</b>	<b>22,828</b>	<b>51,814</b>	<b>111,959</b>	<b>16,983</b>	<b>210,176</b>
<b>Total operating income before impairment losses on loans and advances</b>	<b>3,529</b>	<b>4,078</b>	<b>88,606</b>	<b>49,334</b>	<b>170,733</b>	<b>8,007</b>	<b>324,287</b>
Impairment losses on loans and advances	-	-	(43,936)	-	(14,389)	(6,262)	(64,587)
<b>Operating income</b>	<b>3,529</b>	<b>4,078</b>	<b>44,670</b>	<b>49,334</b>	<b>156,344</b>	<b>1,745</b>	<b>259,700</b>
Administrative expenses	(4,096)	(2,209)	(60,403)	(47,504)	(83,964)	(16,878)	(215,054)
Depreciation, amortisation and impairment of property, equipment and software	(297)	(1)	(1,373)	(4,483)	(1,688)	(1,955)	(9,797)
<b>Operating profit/(loss)</b>	<b>(864)</b>	<b>1,868</b>	<b>(17,106)</b>	<b>(2,653)</b>	<b>70,692</b>	<b>(17,088)</b>	<b>34,849</b>
Operating loss/(profit) attributable to minorities	-	-	-	7,892	(268)	(28)	7,596
<b>Operating profit/(loss) after minorities^</b>	<b>(864)</b>	<b>1,868</b>	<b>(17,106)</b>	<b>5,239</b>	<b>70,424</b>	<b>(17,116)</b>	<b>42,445</b>
Cost to income ratio	124.5%	54.2%	69.7%	105.4%	50.2%	235.2%	69.3%
Total assets (£'mn)	171	75	6,405	554	7,823	2,480	17,508

For the six months to 30 September 2009

£'000	Wealth and Investment*	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
<b>Net interest income</b>	-	(265)	73,094	(8,353)	43,465	(12,691)	95,250
Fee and commission income	-	3,187	29,116	20,277	31,582	(1,681)	82,481
Fee and commission expense	-	(1,100)	(3,326)	(1,911)	(370)	-	(6,707)
Principal transactions	-	1,786	(83)	13,642	16,995	31,833	64,173
Operating income from associates	201	-	140	75	63	-	479
Other operating income	-	-	-	6,970	-	819	7,789
<b>Other income</b>	<b>201</b>	<b>3,873</b>	<b>25,847</b>	<b>39,053</b>	<b>48,270</b>	<b>30,971</b>	<b>148,215</b>
<b>Total operating income before impairment losses on loans and advances</b>	<b>201</b>	<b>3,608</b>	<b>98,941</b>	<b>30,700</b>	<b>91,735</b>	<b>18,280</b>	<b>243,465</b>
Impairment losses on loans and advances	-	-	(35,333)	-	(25,713)	-	(61,046)
<b>Operating income</b>	<b>201</b>	<b>3,608</b>	<b>63,608</b>	<b>30,700</b>	<b>66,022</b>	<b>18,280</b>	<b>182,419</b>
Administrative expenses	-	(1,338)	(53,309)	(37,999)	(48,765)	(12,266)	(153,677)
Depreciation, amortisation and impairment of property, equipment and software	-	-	(1,110)	(5,572)	(1,248)	(1,472)	(9,402)
<b>Operating profit/(loss)</b>	<b>201</b>	<b>2,270</b>	<b>9,189</b>	<b>(12,871)</b>	<b>16,009</b>	<b>4,542</b>	<b>19,340</b>
Operating loss/(profit) attributable to minorities	-	-	-	12,398	(8)	(710)	11,680
<b>Operating profit/(loss) after minorities</b>	<b>201</b>	<b>2,270</b>	<b>9,189</b>	<b>(473)</b>	<b>16,001</b>	<b>3,832</b>	<b>31,020</b>
Cost to income ratio	0.0%	37.1%	55.0%	141.9%	54.5%	75.2%	67.0%
Total assets** (£'mn)	-	21	5,697	510	6,771	1,010	14,009

\*Previously Private Wealth.

\*\*As restated.

^Excluding non-operating items.



## Investec Bank plc - segmental analysis of operating profit before non-operating items, taxation and after minorities

Unaudited

£'000	6 months to 30 Sept 2010	6 months to 30 Sept 2009	% change
<b>Wealth and Investment*</b>	<b>(864)</b>	<b>201</b>	<b>(&gt;100.0)%</b>
<b>Property Activities</b>	<b>1,868</b>	<b>2,270</b>	<b>(17.7)%</b>
<b>Private Banking</b>	<b>(17,106)</b>	<b>9,189</b>	<b>(&gt;100.0)%</b>
<b>Investment Banking</b>			
Corporate Finance	2,720	(3,087)	>100.0%
Institutional Research, Sales and Trading	(530)	1,942	(>100.0)%
Direct Investments	9,292	4,637	>100.0%
Private Equity	(6,243)	(3,965)	(57.5)%
	<b>5,239</b>	<b>(473)</b>	<b>&gt;100.0%</b>
<b>Capital Markets</b>	<b>70,424</b>	<b>16,001</b>	<b>&gt;100.0%</b>
<b>Group Services and Other Activities</b>			
Central Funding	(2,992)	15,821	(>100.0)%
Central Services Costs	(14,124)	(11,989)	(17.8)%
	<b>(17,116)</b>	<b>3,832</b>	<b>(&gt;100.0)%</b>
<b>Total group</b>	<b>42,445</b>	<b>31,020</b>	<b>36.8%</b>

\*Previously Private Wealth.



## Investec Bank plc - segmental information - geographical analysis

Unaudited

For the six months to 30 September 2010

£'000	UK and Europe	Australia	Total group
<b>Net interest income</b>	<b>84,446</b>	<b>29,665</b>	<b>114,111</b>
Fee and commission income	80,645	13,984	94,629
Fee and commission expense	(6,200)	(1,845)	(8,045)
Principal transactions	107,252	10,623	117,875
Operating income from associates	390	172	562
Other operating income/(loss)	6,730	(1,575)	5,155
<b>Other income</b>	<b>188,817</b>	<b>21,359</b>	<b>210,176</b>
<b>Total operating income before impairment losses on loans and advances</b>	<b>273,263</b>	<b>51,024</b>	<b>324,287</b>
Impairment losses on loans and advances	(52,715)	(11,872)	(64,587)
<b>Operating income</b>	<b>220,548</b>	<b>39,152</b>	<b>259,700</b>
Administrative expenses	(178,166)	(36,888)	(215,054)
Depreciation, amortisation and impairment of property, equipment and software	(8,969)	(828)	(9,797)
<b>Operating profit</b>	<b>33,413</b>	<b>1,436</b>	<b>34,849</b>
Operating losses attributable to minorities	7,323	273	7,596
<b>Operating profit after minorities<sup>^</sup></b>	<b>40,736</b>	<b>1,709</b>	<b>42,445</b>
Cost to income ratio	68.5%	73.9%	69.3%
Total assets (£'mn)	14,156	3,352	17,508

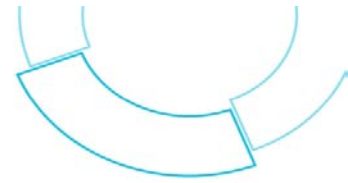
For the six months to 30 September 2009

£'000	UK and Europe	Australia	Total group
<b>Net interest income</b>	<b>65,147</b>	<b>30,103</b>	<b>95,250</b>
Fee and commission income	71,444	11,037	82,481
Fee and commission expense	(4,682)	(2,025)	(6,707)
Principal transactions	54,409	9,764	64,173
Operating income from associates	338	141	479
Other operating income / (loss)	11,181	(3,392)	7,789
<b>Other income</b>	<b>132,690</b>	<b>15,525</b>	<b>148,215</b>
<b>Total operating income before impairment losses on loans and advances</b>	<b>197,837</b>	<b>45,628</b>	<b>243,465</b>
Impairment losses on loans and advances	(48,245)	(12,801)	(61,046)
<b>Operating income</b>	<b>149,592</b>	<b>32,827</b>	<b>182,419</b>
Administrative expenses	(125,170)	(28,507)	(153,677)
Depreciation, amortisation and impairment of property, equipment and software	(8,804)	(598)	(9,402)
<b>Operating profit</b>	<b>15,618</b>	<b>3,722</b>	<b>19,340</b>
Operating losses attributable to minorities	11,305	375	11,680
<b>Operating profit after minorities</b>	<b>26,923</b>	<b>4,097</b>	<b>31,020</b>
Cost to income ratio	67.7%	63.8%	67.0%
Total assets* (£'mn)	11,454	2,555	14,009

\*As restated.

<sup>^</sup>Excluding non-operating items.





## Risk management

As per Basel II regulations, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our Annual Financial Statements for the year ended 31 March 2010.

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

Group Risk Management has specialist divisions in the UK, South Africa, Australia and smaller divisions in other regions to promote sound risk management practices.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives.

Group Risk Management continually seeks new ways to enhance its techniques.

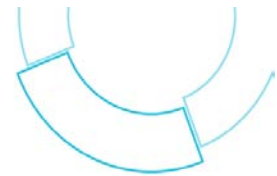
Group Risk Management objectives are to:

- 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.

### Overall group summary of the year in review from a risk perspective

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
- Strong risk and capital management culture embedded in 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 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 defaults as a result of weak economic conditions. The credit loss ratio improved from 1.71% at 31 March 2010 to 1.59% at 30 September 2010
- Limited exposure to rated and unrated structured credit investments; representing 3.8% of total assets
- A low leverage (gearing) ratio of approximately 13 times
- Low equity (investment) risk exposure; within total investments comprising 1.5% 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 amount to 2.1% of total operating income for the six months to 30 September 2010
- A high level of readily available, high quality liquid assets; cash and near cash of approximately £4.7 billion, representing on average 20% to 35% 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 during the period
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit.



## Risk management

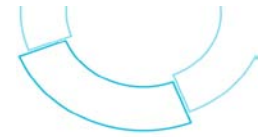
### Salient information

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

	30 Sept 2010	31 March 2010
Net core loans and advances (£'million)	7 261	7 225
Gross defaults as a % of gross core loans and advances	7.61%	6.68%
Defaults (net of impairments) as a % of net core loans and advances	5.78%	4.96%
Credit loss ratio <sup>^</sup>	1.59%	1.71%
Structured credit investments as a % of total assets	3.8%	4.5%
Banking book investment and equity risk exposures as a % of total assets	1.5%	1.3%
Traded market risk: one-day value at risk (£'million)	1.7	1.8
Cash and near cash (£'million)	4 706	4 605
Customer accounts (deposits) (£'million)	9 961	9 264
Core loans to equity ratio	5.4x	6.1x
Total gearing/leverage ratio <sup>*</sup>	13.1	14.4x
Core loans (excluding own originated assets which have been securitised) to customer deposits	67.9%	72.4%
Capital adequacy ratio	17.5%	16.9%
Tier 1 ratio	12.9%	12.3%

<sup>^</sup>Income statement impairment charge on loans as a percentage of average advances.

<sup>\*</sup>Total assets to total equity.



## Risk management

### 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.

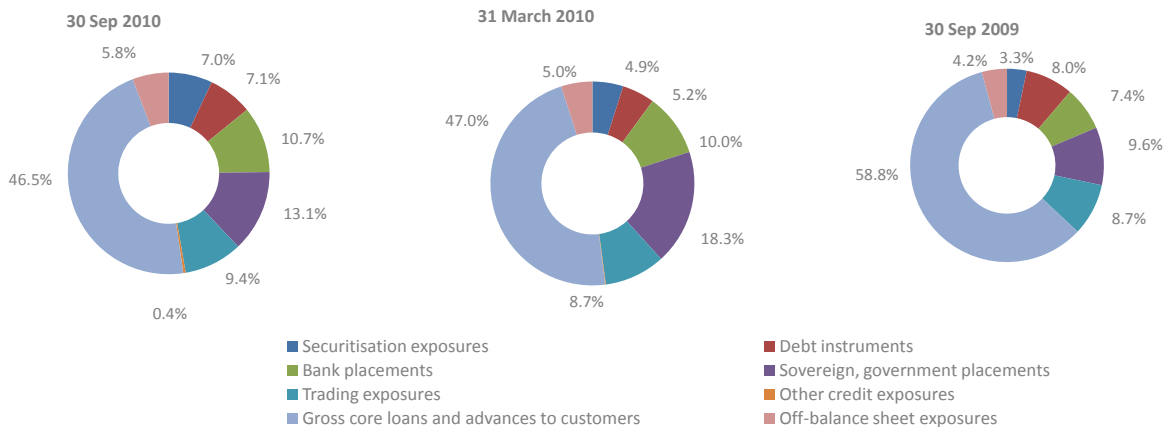
Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

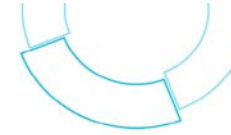
The tables that follow provide an analysis of our credit and counterparty risk exposures.

### An analysis of gross credit and counterparty exposures

£'000	30 Sept 2010	31 March 2010	% change	Average*	30 Sept 2009
<b>On-balance sheet exposures</b>	<b>14 993 820</b>	<b>14 864 363</b>	<b>0.9%</b>	<b>14 929 092</b>	<b>12 103 324</b>
Securitisation exposures arising from securitisation/principal finance activities	1 118 099	762 867	46.6%	940 483	413 419
Rated instruments	573 399	364 417	57.3%	468 908	293 116
Unrated instruments	88 399	50 424	75.3%	69 412	71 723
Other	456 301	348 026	31.1%	402 164	48 580
Debt instruments - non sovereign (NCDs, bonds held, debentures)	1 132 433	807 625	40.2%	970 029	1 010 604
Bank placements	1 695 815	1 557 413	8.9%	1 626 614	931 605
Sovereign, government placements	2 089 273	2 854 100	(26.8%)	2 471 687	1 218 384
Trading exposures (positive fair value excluding potential future exposures)	1 493 404	1 507 367	(0.9%)	1 500 386	1 102 261
Other credit exposures	60 083	17 311	>100%	38 697	1 461
Gross core loans and advances to customers	7 404 713	7 357 680	0.6%	7 381 197	7 425 590
<b>Off-balance sheet exposures</b>	<b>925 048</b>	<b>774 109</b>	<b>19.5%</b>	<b>849 579</b>	<b>530 949</b>
Guarantees	213 456	216 827	(1.6%)	215 142	48 424
Contingent liabilities, committed facilities and other	711 592	557 282	27.7%	634 437	482 525
<b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b>	<b>15 918 868</b>	<b>15 638 472</b>	<b>1.8%</b>	<b>15 778 670</b>	<b>12 634 273</b>

\*Where the average is based on a straight line average for the period 31 March 2010 to 30 September 2010



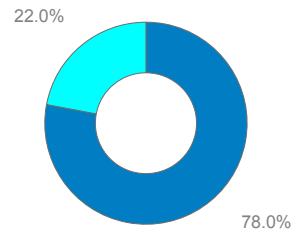


## Risk management

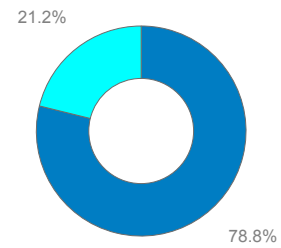
### An analysis of gross credit and counterparty exposures by geography

£'000	UK and Europe		Australia		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
<b>On-balance sheet exposures</b>	11 740 865	11 725 238	3 252 955	3 139 125	14 993 820	14 864 363
Securitisation exposures arising from securitisation/principal finance activities	1 061 403	693 958	56 696	68 909	1 118 099	762 867
Rated instruments	516 703	295 508	56 696	68 909	573 399	364 417
Unrated instruments	88 399	50 424	-	-	88 399	50 424
Other	456 301	348 026	-	-	456 301	348 026
Debt instruments - non sovereign (NCDs, bonds held, debentures)	182 189	205 834	950 244	601 791	1 132 433	807 625
Bank placements	1 604 710	1 487 480	91 105	69 933	1 695 815	1 557 413
Sovereign, government placements	1 970 104	2 348 319	119 169	505 781	2 089 273	2 854 100
Trading exposures (positive fair value excluding potential future exposures)	1 416 277	1 467 111	77 127	40 256	1 493 404	1 507 367
Other credit exposures	15 618	17 311	44 465	-	60 083	17 311
Gross core loans and advances to customers	5 490 564	5 505 225	1 914 149	1 852 455	7 404 713	7 357 680
<b>Off-balance sheet exposures</b>	668 903	605 200	256 145	168 909	925 048	774 109
Guarantees	170 311	176 381	43 145	40 446	213 456	216 827
Contingent liabilities, committed facilities, other	498 592	428 819	213 000	128 463	711 592	557 282
<b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b>	12 409 768	12 330 438	3 509 100	3 308 034	15 918 868	15 638 472

30 Sept 2010



31 March 2010



■ UK and Europe  
■ Australia

## 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.

£'000	Securitisation exposures arising from securitisation/principal finance activities				Debt instruments - non sovereign (NCDs, bonds held, debentures)	Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
	Total	Rated instruments	Unrated instruments	Other										
<b>As at 30 September 2010</b>														
Cash and balances at central banks	-	-	-	-	-	19	1 202 770	5 222	-	-	1 208 011	12	-	1 208 023
Loans and advances to banks	-	-	-	-	-	1 061 118	-	-	-	-	1 061 118	18 142	-	1 079 260
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	300 091	-	504 570	-	-	804 661	72 652	-	877 313
Trading securities	19 676	14 758	4 918	-	-	-	-	227 593	-	-	247 269	147 920	1	395 189
Derivative financial instruments	16 860	-	-	16 860	-	-	-	707 407	-	-	724 267	114 552	1	838 819
Investment securities	57 165	57 165	-	-	1 132 433	302 159	886 503	173	-	-	2 378 433	71 460	1	2 449 893
Loans and advances to customers	890 566	430 567	22 354	437 645	-	-	-	-	44 465	6 908 273	7 843 304	848 101	2	8 691 405
Securitised assets	132 036	70 909	61 127	-	-	-	-	-	-	496 440	628 476	552 891	3	1 181 367
Deferred taxation assets	-	-	-	-	-	-	-	-	-	-	-	79 319	-	79 319
Other assets	1 796	-	-	1 796	-	32 428	-	48 439	15 618	-	98 281	321 473	-	419 754
Interests in associated undertakings	-	-	-	-	-	-	-	-	-	-	-	12 700	-	12 700
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	33 479	-	33 479
Goodwill	-	-	-	-	-	-	-	-	-	-	-	92 177	-	92 177
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	26 955	-	26 955
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	122 133	-	122 133
<b>Total</b>	<b>1 118 099</b>	<b>573 399</b>	<b>88 399</b>	<b>456 301</b>	<b>1 132 433</b>	<b>1 695 815</b>	<b>2 089 273</b>	<b>1 493 404</b>	<b>60 083</b>	<b>7 404 713</b>	<b>14 993 820</b>	<b>2 513 966</b>		<b>17 507 786</b>
<b>As at 31 March 2010</b>														
Cash and balances at central banks	-	-	-	-	-	52	2 008 668	-	-	-	2 008 720	23	-	2 008 743
Loans and advances to banks	-	-	-	-	-	1 278 215	-	-	-	-	1 278 215	29 039	-	1 307 254
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	121 533	-	368 961	-	-	490 494	-	-	490 494
Trading securities	29 063	23 305	5 758	-	-	-	-	234 989	-	-	264 052	83 711	1	347 763
Derivative financial instruments	22 769	-	-	22 769	-	-	-	655 579	-	-	678 348	78 788	1	757 136
Investment securities	69 396	69 396	-	-	807 625	100 581	845 432	-	-	-	1 823 034	57 621	1	1 880 655
Loans and advances to customers	554 736	228 969	8 035	317 732	-	-	-	-	-	6 838 169	7 392 905	833 310	2	8 226 215
Securitised assets	79 378	42 747	36 631	-	-	-	-	-	-	519 511	598 889	522 978	3	1 121 867
Interests in associated undertakings	-	-	-	-	-	-	-	-	-	-	-	84 730	-	84 730
Deferred taxation assets	-	-	-	7 525	-	-	-	-	-	-	329 706	158 718	-	488 424
Other assets	7 525	-	-	-	-	57 032	-	247 838	17 311	-	-	14 345	-	14 345
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	140 321	-	140 321
Goodwill	-	-	-	-	-	-	-	-	-	-	-	86 561	-	86 561
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	26 218	-	26 218
<b>Total</b>	<b>762 867</b>	<b>364 417</b>	<b>50 424</b>	<b>348 026</b>	<b>807 625</b>	<b>1 557 413</b>	<b>2 854 100</b>	<b>1 507 367</b>	<b>17 311</b>	<b>7 357 680</b>	<b>14 864 363</b>	<b>2 116 363</b>		<b>16 980 726</b>

#### Notes:

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. Whilst the group manages all risks (including credit risk) from a day to day operational perspective these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".

## Risk management

### An analysis of gross credit and counterparty exposure by industry

	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
£'000						
HNW and professional individuals	5 156 263	5 315 832	590 403	409 393	5 746 666	5 725 225
Agriculture	11 636	18 247	10 474	8 977	22 110	27 224
Electricity, gas and water (utility services)	222 779	184 517	111 559	8 484	334 338	193 001
Public and non-business services	99 995	85 933	2 104 373	2 859 061	2 204 368	2 944 994
Business service	140 956	144 797	14 161	13 486	155 117	158 283
Finance and insurance (including central banks)	243 590	156 513	4 801 662	4 312 801	5 045 252	4 469 314
Retailers and wholesalers	170 310	121 463	7 180	5 396	177 490	126 859
Manufacturing and commerce	426 177	378 034	90 729	59 704	516 906	437 738
Real estate	420 199	430 885	647 112	516 429	1 067 311	947 314
Mining and resources	101 344	86 723	111 530	74 920	212 874	161 643
Leisure, entertainment and tourism	111 539	122 163	9 925	8 650	121 464	130 813
Transport and communication	299 925	312 573	15 047	3 491	314 972	316 064
<b>Total</b>	<b>7 404 713</b>	<b>7 357 680</b>	<b>8 514 155</b>	<b>8 280 792</b>	<b>15 918 868</b>	<b>15 638 472</b>

Private Banking loans account for 71.4% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A more detailed analysis of the Private Banking loan portfolio is provided further on. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A more detailed analysis of the Capital Markets loan portfolio is provided further on.

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.

	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business service	Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and communication	Total
£'000													
<b>As at 30 September 2010</b>													
<b>On-balance sheet exposures</b>	<b>5 156 558</b>	<b>11 639</b>	<b>226 358</b>	<b>2 189 268</b>	<b>155 117</b>	<b>4 991 137</b>	<b>174 883</b>	<b>447 296</b>	<b>1 067 311</b>	<b>145 514</b>	<b>114 897</b>	<b>313 842</b>	<b>14 993 820</b>
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	550 530	-	-	567 569	-	-	-	1 118 099
Rated instruments	-	-	-	-	-	486 337	-	-	87 062	-	-	-	573 399
Unrated instruments	-	-	-	-	-	48 582	-	-	39 817	-	-	-	88 399
Other	-	-	-	-	-	15 611	-	-	440 690	-	-	-	456 301
Debt instruments - non sovereign (NCDs, bonds held, debentures)	-	-	-	-	-	1 119 831	-	-	-	-	-	12 602	1 132 433
Bank placements	-	-	-	-	-	1 695 815	-	-	-	-	-	-	1 695 815
Sovereign, government placements	-	-	-	2 089 273	-	-	-	-	-	-	-	-	2 089 273
Trading exposures (positive fair value excluding potential future exposures)	295	3	3 579	-	14 161	1 379 247	4 573	7 625	35 078	44 170	3 358	1 315	1 493 404
Other credit exposures	-	-	-	-	-	2 124	-	13 494	44 465	-	-	-	60 083
Gross core loans and advances to customers	5 156 263	11 636	222 779	99 995	140 956	243 590	170 310	426 177	420 199	101 344	111 539	299 925	7 404 713
<b>Off-balance sheet exposures</b>	<b>461 100</b>	<b>10 471</b>	<b>107 980</b>	<b>15 100</b>	<b>-</b>	<b>183 123</b>	<b>2 607</b>	<b>69 610</b>	<b>-</b>	<b>67 360</b>	<b>6 567</b>	<b>1 130</b>	<b>925 048</b>
Guarantees	27 697	-	2 284	-	-	160 321	-	105	-	23 049	-	-	213 456
Contingent liabilities, committed facilities and other	433 403	10 471	105 696	15 100	-	22 802	2 607	69 505	-	44 311	6 567	1 130	711 592
<b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b>	<b>5 617 658</b>	<b>22 110</b>	<b>334 338</b>	<b>2 204 368</b>	<b>155 117</b>	<b>5 174 260</b>	<b>177 490</b>	<b>516 906</b>	<b>1 067 311</b>	<b>212 874</b>	<b>121 464</b>	<b>314 972</b>	<b>15 918 868</b>
<b>As at 31 March 2010</b>													
<b>On-balance sheet exposures</b>	<b>5 319 405</b>	<b>18 247</b>	<b>184 846</b>	<b>2 940 033</b>	<b>158 283</b>	<b>4 229 948</b>	<b>124 000</b>	<b>383 112</b>	<b>947 314</b>	<b>121 963</b>	<b>123 319</b>	<b>313 893</b>	<b>14 864 363</b>
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	282 524	-	-	480 343	-	-	-	762 867
Rated instruments	-	-	-	-	-	252 760	-	-	111 657	-	-	-	364 417
Unrated instruments	-	-	-	-	-	13 793	-	-	36 631	-	-	-	50 424
Other	-	-	-	-	-	15 791	-	-	332 055	-	-	-	348 026
Debt instruments - non sovereign (NCDs, bonds held, debentures)	-	-	-	-	-	807 625	-	-	-	-	-	-	807 625
Bank placements	-	-	-	-	-	1 557 413	-	-	-	-	-	-	1 557 413
Sovereign, government placements	-	-	-	2 854 100	-	-	-	-	-	-	-	-	2 854 100
Trading exposures (positive fair value excluding potential future exposures)	536	-	329	-	13 486	1 412 076	2 537	5 078	35 609	35 240	1 156	1 320	1 507 367
Other credit exposures	3 037	-	-	-	-	13 797	-	-	477	-	-	-	17 311
Gross core loans and advances to customers	5 315 832	18 247	184 517	85 933	144 797	156 513	121 463	378 034	430 885	86 723	122 163	312 573	7 357 680
<b>Off-balance sheet exposures</b>	<b>405 820</b>	<b>8 977</b>	<b>8 155</b>	<b>4 961</b>	<b>-</b>	<b>239 366</b>	<b>2 859</b>	<b>54 626</b>	<b>-</b>	<b>39 680</b>	<b>7 494</b>	<b>2 171</b>	<b>774 109</b>
Guarantees	28 120	-	2 287	-	-	166 433	-	110	-	19 877	-	-	216 827
Contingent liabilities, committed facilities and other	377 700	8 977	5 868	4 961	-	72 933	2 859	54 516	-	19 803	7 494	2 171	557 282
<b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b>	<b>5 725 225</b>	<b>27 224</b>	<b>193 001</b>	<b>2 944 994</b>	<b>158 283</b>	<b>4 469 314</b>	<b>126 859</b>	<b>437 738</b>	<b>947 314</b>	<b>161 643</b>	<b>130 813</b>	<b>316 064</b>	<b>15 638 472</b>



## Risk management

### An analysis of our 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 the category "loans and advances to customers" as reflected on the IFRS consolidated balance sheet. We believe that these adjustments are necessary in order to derive a number that reflects actual core lending activities. In this regard the following methodology has been applied:

- Warehouse funding facilities and structured credit investments arising out of our securitisation and principal finance activities have been deducted.
- 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.

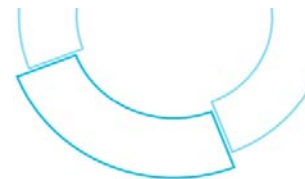
£'000	30 Sept 2010	31 March 2010	30 Sept 2009
Loans (pre-impairments and intercompany loans) as per balance sheet	7 843 304	7 392 905	7 192 063
Less: warehouse facilities and structured credit investments arising out of securitisation and principal finance activities and other credit exposures (pre-impairments)	( 935 031)	( 554 736)	( 280 785)
Add: own originated securitised assets	496 440	519 511	514 312
<b>Gross core loans and advances to customers (pre-impairments)</b>	<b>7 404 713</b>	<b>7 357 680</b>	<b>7 425 590</b>

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

£'000	30 Sept 2010	31 March 2010	30 Sept 2009
<b>Gross core loans and advances to customers</b>	<b>7 404 713</b>	<b>7 357 680</b>	<b>7 425 590</b>
<b>Total impairments</b>	<b>( 143 863)</b>	<b>( 133 128)</b>	<b>( 120 877)</b>
Portfolio impairments	( 36 316)	( 19 910)	( 8 121)
Specific impairments	( 107 547)	( 113 218)	( 112 756)
<b>Net core loans and advances to customers</b>	<b>7 260 850</b>	<b>7 224 552</b>	<b>7 304 713</b>
<b>Average gross core loans and advances to customers</b>	<b>7 381 197</b>	<b>7 391 712</b>	<b>7 425 667</b>
Current loans and advances to customers	6 437 256	6 561 010	6 580 879
Total gross non-current loans and advances to customers	967 457	796 670	844 711
Past due loans and advances to customers (1-60 days)	342 195	200 040	263 869
Special mention loans and advances to customers	61 915	105 396	68 472
Default loans and advances to customers	563 347	491 234	512 370
<b>Gross core loans and advances to customers</b>	<b>7 404 713</b>	<b>7 357 680</b>	<b>7 425 590</b>
<b>Total gross non-current core loans and advances to customers</b>	<b>967 457</b>	<b>796 670</b>	<b>844 711</b>
Default loans that are current and not impaired	4 527	4 986	3 073
Gross core loans and advances to customers that are past due but not impaired	644 189	485 452	531 539
Gross core loans and advances to customers that are impaired	318 741	306 232	310 099
<b>Total income statement charge for impairments against core loans</b>	<b>( 64 587)</b>	<b>( 133 186)</b>	<b>( 61 046)</b>
Gross default loans and advances to customers	563 347	491 234	512 370
Specific impairments	( 107 547)	( 113 218)	( 112 756)
Portfolio impairments	( 36 316)	( 19 910)	( 8 121)
<b>Defaults net of impairments</b>	<b>419 484</b>	<b>358 106</b>	<b>391 493</b>
Collateral and other credit enhancements	484 514	405 645	442 831
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ratios:</b>			
Total impairments as a % of gross core loans and advances to customers	1.94%	1.81%	1.63%
Total impairments as a % of gross default loans	25.54%	27.10%	23.59%
Gross defaults as a % of gross core loans and advances to customers	7.61%	6.68%	6.90%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.78%	4.96%	5.36%
Net defaults as a % of core loans and advances to customers	-	-	-
Annualised credit loss ratio (i.e income statement charge as a % of average gross loans and advances)	1.59%	1.71%	1.64%

## Risk management

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



£'000	UK and Europe		Australia		Total	
	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010	30 Sept 2010	31 March 2010
Gross core loans and advances to customers	5 490 564	5 505 225	1 914 149	1 852 455	7 404 713	7 357 680
Total impairments	( 115 412)	( 97 213)	( 28 451)	( 35 915)	( 143 863)	( 133 128)
Portfolio impairments	( 35 001)	( 18 673)	( 1 315)	( 1 237)	( 36 316)	( 19 910)
Specific impairments	( 80 411)	( 78 540)	( 27 136)	( 34 678)	( 107 547)	( 113 218)
Net core loans and advances to customers	5 375 152	5 408 012	1 885 698	1 816 540	7 260 850	7 224 552
% of total	74.0%	74.9%	26.0%	25.1%	100%	100%
% change since 31 March 2010	(1.1%)		3.8%		0.5%	
Average gross core loans and advances to customers	5 497 895	5 753 582	1 883 302	1 638 130	7 381 197	7 391 712
Current loans and advances to customers	4 804 380	4 973 482	1 632 876	1 587 528	6 437 256	6 561 010
Total gross non current loans and advances to customers	686 184	531 743	281 273	264 927	967 457	796 670
Past due loans and advances to customers (1-60 days)	311 289	165 540	30 906	34 500	342 195	200 040
Special mention loans and advances to customers	32 004	97 344	29 911	8 052	61 915	105 396
Default loans and advances to customers	342 891	268 859	220 456	222 375	563 347	491 234
Gross core loans and advances to customers	5 490 564	5 505 225	1 914 149	1 852 455	7 404 713	7 357 680
Total gross non-current loans and advances to customers	686 184	531 743	281 273	264 927	967 457	796 670
Default loans that are current and not impaired	4 527	4 986	-	-	4 527	4 986
Gross core loans and advances to customers that are past due but not impaired	444 277	327 924	199 912	157 528	644 189	485 452
Gross core loans and advances to customers that are impaired	237 380	198 833	81 361	107 399	318 741	306 232
Total income statement charge for impairments on core loans	( 52 715)	( 105 776)	( 11 872)	( 27 410)	( 64 587)	( 133 186)
Gross default loans and advances to customers	342 891	268 859	220 456	222 375	563 347	491 234
Specific impairments	( 80 411)	( 78 540)	( 27 136)	( 34 678)	( 107 547)	( 113 218)
Portfolio impairments	( 35 001)	( 18 673)	( 1 315)	( 1 237)	( 36 316)	( 19 910)
Defaults net of impairments	227 479	171 646	192 005	186 460	419 484	358 106
Collateral and other credit enhancements	258 139	192 491	226 375	213 154	484 514	405 645
Net default loans and advances to customers (limited to zero)	-	-	-	-	-	-
Total impairments as a % of gross core loans and advances to customers	2.10%	1.77%	1.49%	1.94%	1.94%	1.81%
Total impairments as a % of gross default loans	33.66%	36.16%	12.91%	16.15%	25.54%	27.10%
Gross defaults as a % of gross core loans and advances to customers	6.25%	4.88%	11.52%	12.00%	7.61%	6.68%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.23%	3.17%	10.18%	10.26%	5.78%	4.96%
Net defaults as a % of core loans and advances to customers	-	-	-	-	-	-
Annualised credit loss ratio (i.e. income statement charge as a % of average gross loans and advances)	1.69%	1.72%	1.26%	1.67%	1.59%	1.71%



## Risk management

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

As at 30 September 2010



£'000	UK and Europe	Private Bank Australia	Total	UK and Europe	Capital Markets Australia	Total	UK and Europe	Other* Australia	Total	Total
<b>Gross core loans and advances to customers</b>	3 445 210	1 711 053	5 156 263	1 915 011	201 317	2 116 328	130 343	1 779	132 122	7 404 713
<b>Total impairments</b>	( 81 722)	( 23 757)	( 105 479)	( 17 890)	( 4 694)	( 22 584)	( 15 800)	-	( 15 800)	( 143 863)
Portfolio impairments	( 17 018)	( 1 315)	( 18 333)	( 2 183)	-	( 2 183)	( 15 800)	-	( 15 800)	( 36 316)
Specific impairments	( 64 704)	( 22 442)	( 87 146)	( 15 707)	( 4 694)	( 20 401)	-	-	-	( 107 547)
<b>Net core loans and advances to customers</b>	<b>3 363 488</b>	<b>1 687 296</b>	<b>5 050 784</b>	<b>1 897 121</b>	<b>196 623</b>	<b>2 093 744</b>	<b>114 543</b>	<b>1 779</b>	<b>116 322</b>	<b>7 260 850</b>
<b>Average gross core loans and advances</b>	<b>3 540 514</b>	<b>1 695 534</b>	<b>5 236 048</b>	<b>1 846 255</b>	<b>186 004</b>	<b>2 032 259</b>	<b>111 126</b>	<b>1 764</b>	<b>112 890</b>	<b>7 381 197</b>
Current loans and advances to customers	2 880 549	1 443 601	4 324 150	1 793 488	187 496	1 980 984	130 343	1 779	132 122	6 437 256
Total gross non current loans and advances to customers	564 661	267 452	832 113	121 523	13 821	135 344	-	-	-	967 457
Past due loans and advances to customers (1-60 days)	284 691	30 906	315 597	26 598	-	26 598	-	-	-	342 195
Special mention loans and advances to customers	22 324	28 068	50 392	9 680	1 843	11 523	-	-	-	61 915
Default loans and advances to customers	257 646	208 478	466 124	85 245	11 978	97 223	-	-	-	563 347
<b>Gross core loans and advances to customers</b>	<b>3 445 210</b>	<b>1 711 053</b>	<b>5 156 263</b>	<b>1 915 011</b>	<b>201 317</b>	<b>2 116 328</b>	<b>130 343</b>	<b>1 779</b>	<b>132 122</b>	<b>7 404 713</b>
<b>Total gross non-current loans and advances to customers</b>	<b>564 661</b>	<b>267 452</b>	<b>832 113</b>	<b>121 523</b>	<b>13 821</b>	<b>135 344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967 457</b>
Default loans that are current and not impaired	4 527	-	4 527	-	-	-	-	-	-	4 527
Gross core loans and advances to customers that are past due but not impaired	374 546	194 556	569 102	69 731	5 356	75 087	-	-	-	644 189
Gross core loans and advances to customers that are impaired	185 588	72 896	258 484	51 792	8 465	60 257	-	-	-	318 741
<b>Total income statement charge for impairments on core loans</b>	<b>( 32 063)</b>	<b>( 11 873)</b>	<b>( 43 936)</b>	<b>( 14 389)</b>	<b>-</b>	<b>( 14 389)</b>	<b>( 6 262)</b>	<b>-</b>	<b>( 6 262)</b>	<b>( 64 587)</b>
Gross default loans and advances to customers	257 646	208 478	466 124	85 245	11 978	97 223	-	-	-	563 347
Specific impairments	( 64 704)	( 22 442)	( 87 146)	( 15 707)	( 4 694)	( 20 401)	-	-	-	( 107 547)
Portfolio impairments	( 17 018)	( 1 315)	( 18 333)	( 2 183)	-	( 2 183)	( 15 800)	-	( 15 800)	( 36 316)
<b>Defaults net of impairments</b>	<b>175 924</b>	<b>184 721</b>	<b>360 645</b>	<b>67 355</b>	<b>7 284</b>	<b>74 639</b>	<b>( 15 800)</b>	<b>-</b>	<b>( 15 800)</b>	<b>419 484</b>
Collateral and other credit enhancements	190 693	219 091	409 784	67 446	7 284	74 730	-	-	-	484 514
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total impairments as a % of gross core loans and advances to customers	2.37%	1.39%	2.05%	0.93%	2.33%	1.07%	12.12%	-	11.96%	1.94%
Total impairments as a % of gross default loans	31.72%	11.40%	22.63%	20.99%	39.19%	23.23%	-	-	-	25.54%
Gross defaults as a % of gross core loans and advances to customers	7.48%	12.18%	9.04%	4.45%	5.95%	4.59%	-	-	-	7.61%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.23%	10.95%	7.14%	3.55%	3.70%	3.56%	-	-	-	5.78%
Net defaults as a % of core loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Annualised credit loss ratio (i.e income statement charge as a % of average gross loans and advances)	1.81%	1.40%	1.68%	1.12%	0.00%	1.04%	11.27%	-	11.09%	1.59%

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

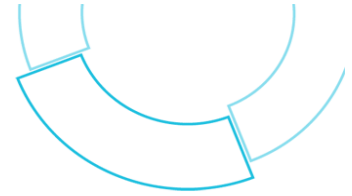
## Risk management

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

As at 31 March 2010

£'000	Private Bank			Capital Markets			Other*			Total
	UK and Europe	Australia	Total	UK and Europe	Australia	Total	UK and Europe	Australia	Total	
<b>Gross core loans and advances to customers</b>	<b>3 635 817</b>	<b>1 680 015</b>	<b>5 315 832</b>	<b>1 777 498</b>	<b>170 692</b>	<b>1 948 190</b>	<b>91 909</b>	<b>1 749</b>	<b>93 658</b>	<b>7 357 680</b>
<b>Total impairments</b>	<b>( 59 860)</b>	<b>( 31 048)</b>	<b>( 90 908)</b>	<b>( 24 853)</b>	<b>( 4 867)</b>	<b>( 29 720)</b>	<b>( 12 500)</b>	<b>-</b>	<b>( 12 500)</b>	<b>( 133 128)</b>
Portfolio impairments	( 4 458)	( 1 237)	( 5 695)	( 1 715)	-	( 1 715)	( 12 500)	-	( 12 500)	( 19 910)
Specific impairments	( 55 402)	( 29 811)	( 85 213)	( 23 138)	( 4 867)	( 28 005)	-	-	-	( 113 218)
<b>Net core loans and advances to customers</b>	<b>3 575 957</b>	<b>1 648 967</b>	<b>5 224 924</b>	<b>1 752 645</b>	<b>165 825</b>	<b>1 918 470</b>	<b>79 409</b>	<b>1 749</b>	<b>81 158</b>	<b>7 224 552</b>
<b>Average gross core loans and advances</b>	<b>3 653 085</b>	<b>1 466 415</b>	<b>5 119 500</b>	<b>2 028 407</b>	<b>170 220</b>	<b>2 198 627</b>	<b>72 089</b>	<b>1 496</b>	<b>73 585</b>	<b>7 391 712</b>
Current loans and advances to customers	3 196 223	1 426 910	4 623 133	1 685 350	158 869	1 844 219	91 909	1 749	93 658	6 561 010
Total gross non current loans and advances to customers	439 594	253 105	692 699	92 148	11 823	103 971	-	-	-	796 670
Past due loans and advances to customers (1-60 days)	146 705	34 500	181 205	18 835	-	18 835	-	-	-	200 040
Special mention loans and advances to customers	90 294	8 052	98 346	7 050	-	7 050	-	-	-	105 396
Default loans and advances to customers	202 595	210 553	413 148	66 263	11 823	78 086	-	-	-	491 234
<b>Gross core loans and advances to customers</b>	<b>3 635 817</b>	<b>1 680 015</b>	<b>5 315 832</b>	<b>1 777 498</b>	<b>170 692</b>	<b>1 948 190</b>	<b>91 909</b>	<b>1 749</b>	<b>93 658</b>	<b>7 357 680</b>
<b>Total gross non-current loans and advances to customers</b>	<b>439 594</b>	<b>253 105</b>	<b>692 699</b>	<b>92 148</b>	<b>11 823</b>	<b>103 971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796 670</b>
Default loans that are current and not impaired	4 986	-	4 986	-	-	-	-	-	-	4 986
Gross core loans and advances to customers that are past due but not impaired	277 179	155 275	432 454	50 744	2 254	52 998	-	-	-	485 452
Gross core loans and advances to customers that are impaired	157 429	97 830	255 259	41 404	9 569	50 973	-	-	-	306 232
<b>Total income statement charge for impairments on core loans</b>	<b>( 54 065)</b>	<b>( 19 136)</b>	<b>( 73 201)</b>	<b>( 39 211)</b>	<b>( 8 274)</b>	<b>( 47 485)</b>	<b>( 12 500)</b>	<b>-</b>	<b>( 12 500)</b>	<b>( 133 186)</b>
Gross default loans and advances to customers	202 595	210 553	413 148	66 263	11 823	78 086	-	-	-	491 234
Specific impairments	( 55 402)	( 29 811)	( 85 213)	( 23 138)	( 4 867)	( 28 005)	-	-	-	( 113 218)
Portfolio impairments	( 4 458)	( 1 237)	( 5 695)	( 1 715)	-	( 1 715)	( 12 500)	-	( 12 500)	( 19 910)
<b>Defaults net of impairments</b>	<b>142 735</b>	<b>179 505</b>	<b>322 240</b>	<b>41 410</b>	<b>6 956</b>	<b>48 366</b>	<b>( 12 500)</b>	<b>-</b>	<b>( 12 500)</b>	<b>358 106</b>
Collateral and other credit enhancements	148 861	206 198	355 059	43 630	6 959	50 589	-	-	-	405 648
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total impairments as a % of gross core loans and advances to customers	1.65%	1.85%	1.71%	1.40%	2.85%	1.53%	13.60%	-	13.35%	1.81%
Total impairments as a % of gross default loans	29.55%	14.75%	22.00%	37.51%	41.17%	38.01%	0.00%	-	0.00%	23.02%
Gross defaults as a % of gross core loans and advances to customers	5.57%	12.53%	7.77%	3.73%	6.93%	4.01%	-	-	-	6.88%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.99%	10.89%	6.17%	2.36%	4.19%	2.52%	-	-	-	4.96%
Net defaults as a % of core loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Annualised credit loss ratio as a % of average gross loans and advances	1.48%	1.30%	1.43%	1.62%	4.86%	1.84%	17.34%	-	16.99%	1.71%

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



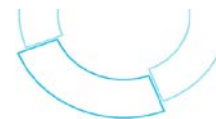
## Risk management

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

£'000	30 Sept 2010	31 March 2010
Default loans that are current	12 458	13 435
31 - 60 days	346 615	203 844
61 - 90 days	61 369	106 743
91 - 180 days	306 744	160 704
181 - 365 days	12 265	91 870
>365 days	228 006	220 074
<b>Total gross non-current loans and advances to customers (actual capital exposure)</b>	<b>967 457</b>	<b>796 670</b>
1 - 60 days	11 135	7 925
61 - 90 days	3 488	4 510
91 - 180 days	66 801	6 365
181 - 365 days	7 802	84 473
>365 days	149 358	146 074
<b>Total gross non-current loans and advances to customers (actual amount in arrears)</b>	<b>238 584</b>	<b>249 347</b>

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

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>As at 30 September 2010</b>							
Default loans that are current							
Total capital exposure	4 527	-	-	-	-	-	4 527
<b>Gross core loans and advances to customers that are past due but not impaired</b>							
Total capital exposure	-	343 868	60 242	146 392	7 368	86 319	644 189
Amount in arrears	-	8 388	3 371	44 857	2 905	75 189	134 710
<b>Gross core loans and advances to customers that are impaired</b>							
Total capital exposure	7 931	2 747	1 127	160 352	4 897	141 687	318 741
Amount in arrears	-	2 747	117	21 944	4 897	74 169	103 874
<b>As at 31 March 2010</b>							
Default loans that are current							
Total capital exposure	4 986	-	-	-	-	-	4 986
<b>Gross core loans and advances to customers that are past due but not impaired</b>							
Total capital exposure	-	200 122	105 314	52 336	51 517	76 163	485 452
Amount in arrears	-	4 321	4 094	2 489	45 220	59 558	115 682
<b>Gross core loans and advances to customers that are impaired</b>							
Total capital exposure	8 449	3 722	1 429	108 368	40 353	143 911	306 232
Amount in arrears	-	3 604	416	3 876	39 253	86 516	133 665



## Risk management

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

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)		342 195	-	-	-	-	342 195
Special mention	-	1 673	60 242	-	-	-	61 915
Special mention (1 - 90 days)	-	1 673	476	-	-	-	2 149
Special mention (61 - 90 days and well secured)	-	-	59 766	-	-	-	59 766
Default	12 458	2 747	1 127	306 744	12 265	228 006	563 347
Sub-standard	10 775	-	1 010	191 516	7 368	134 560	345 229
Doubtful	719	2 747	117	36 390	4 219	86 757	130 949
Loss	964	-	-	78 838	678	6 689	87 169
<b>Total</b>	<b>12 458</b>	<b>346 615</b>	<b>61 369</b>	<b>306 744</b>	<b>12 265</b>	<b>228 006</b>	<b>967 457</b>

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

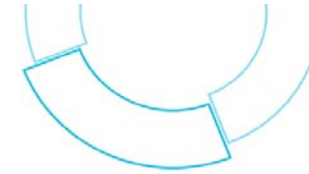
£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	8 264	-	-	-	-	8 264
Special mention	-	124	3 371	-	-	-	3 495
Special mention (1 - 90 days)	-	124	107	-	-	-	231
Special mention (61 - 90 days and well secured)	-	-	3 264	-	-	-	3 264
Default	-	2 747	117	66 801	7 802	149 358	226 825
Sub-standard	-	-	-	54 026	2 905	75 514	132 445
Doubtful	-	2 747	117	12 775	4 897	73 844	94 380
Loss	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>11 135</b>	<b>3 488</b>	<b>66 801</b>	<b>7 802</b>	<b>149 358</b>	<b>238 584</b>

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

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	200 040	-	-	-	-	200 040
Special mention	-	82	105 314	-	-	-	105 396
Special mention (1 - 90 days)	-	82	2 510	-	-	-	2 592
Special mention (61 - 90 days and well secured)	-	-	102 804	-	-	-	102 804
Default	13 435	3 722	1 429	160 704	91 870	220 074	491 234
Sub-standard	11 218	-	1 013	88 223	51 517	117 404	269 375
Doubtful	1 674	3 722	416	18 784	39 457	102 314	166 367
Loss	543	-	-	53 697	896	356	55 492
<b>Total</b>	<b>13 435</b>	<b>203 844</b>	<b>106 743</b>	<b>160 704</b>	<b>91 870</b>	<b>220 074</b>	<b>796 670</b>

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

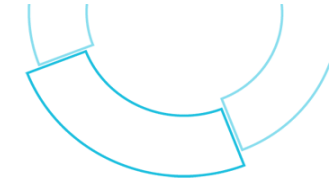
£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
Past due (1-60 days)	-	4 319	-	-	-	-	4 319
Special mention	-	2	4 094	-	-	-	4 096
Special mention (1 - 90 days)	-	2	2 191	-	-	-	2 193
Special mention (61 - 90 days and well secured)	-	-	1 903	-	-	-	1 903
Default	-	3 604	416	6 365	84 473	146 074	240 932
Sub-standard	-	-	-	2 986	45 220	59 558	107 764
Doubtful	-	3 604	416	3 335	39 253	86 516	133 124
Loss	-	-	-	44	-	-	44
<b>Total</b>	<b>-</b>	<b>7 925</b>	<b>4 510</b>	<b>6 365</b>	<b>84 473</b>	<b>146 074</b>	<b>249 347</b>



## Risk management

### An analysis of core loans and advances to customers

£'000	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
<b>As at 30 September 2010</b>								
Current core loans and advances	6 437 256	-	-	6 437 256	-	( 17 126)	6 420 130	-
Past due (1-60 days)	-	342 195	-	342 195	-	-	342 195	8 264
Special mention	-	61 915	-	61 915	-	-	61 915	3 495
Special mention (1 - 90 days)	-	2 149	-	2 149	-	-	2 149	231
Special mention (61 - 90 days and well secured)	-	59 766	-	59 766	-	-	59 766	3 264
<b>Default</b>	<b>4 527</b>	<b>240 079</b>	<b>318 741</b>	<b>563 347</b>	<b>( 107 547)</b>	<b>( 19 190)</b>	<b>436 610</b>	<b>226 825</b>
Sub-standard	4 119	240 079	101 031	345 229	( 23 136)	( 2 183)	319 910	132 445
Doubtful	-	-	130 949	130 949	( 41 838)	-	89 111	94 380
Loss	408	-	86 761	87 169	( 42 573)	( 17 007)	27 589	-
<b>Total</b>	<b>6 441 783</b>	<b>644 189</b>	<b>318 741</b>	<b>7 404 713</b>	<b>( 107 547)</b>	<b>( 36 316)</b>	<b>7 260 850</b>	<b>238 584</b>
<b>As at 31 March 2010</b>								
Current core loans and advances	6 561 010	-	-	6 561 010	-	( 16 689)	6 544 321	-
Past due (1-60 days)	-	200 040	-	200 040	-	-	200 040	4 319
Special mention	-	105 396	-	105 396	-	-	105 396	4 096
Special mention (1 - 90 days)	-	2 592	-	2 592	-	-	2 592	2 193
Special mention (61 - 90 days and well secured)	-	102 804	-	102 804	-	-	102 804	1 903
<b>Default</b>	<b>4 986</b>	<b>180 016</b>	<b>306 232</b>	<b>491 234</b>	<b>( 113 218)</b>	<b>( 3 221)</b>	<b>374 795</b>	<b>240 932</b>
Sub-standard	4 986	177 934	86 455	269 375	( 23 532)	( 1 984)	243 859	107 764
Doubtful	-	-	166 367	166 367	( 66 694)	( 1 237)	98 436	133 124
Loss	-	2 082	53 410	55 492	( 22 992)	-	32 500	44
<b>Total</b>	<b>6 565 996</b>	<b>485 452</b>	<b>306 232</b>	<b>7 357 680</b>	<b>( 113 218)</b>	<b>( 19 910)</b>	<b>7 224 552</b>	<b>249 347</b>



## Risk management

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

£'000	Current core loans and advances	Past due (1-60 days)	Special mention (1 - 60 days)	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
<b>As at 30 September 2010</b>											
Private Banking professional and HNW individuals	4 318 502	315 597	2 149	50 086	294 241	95 886	79 802	5 156 263	( 18 333)	( 87 407)	( 105 740)
Corporate sector	1 709 428	26 598	-	9 680	50 988	34 057	7 367	1 838 118	( 2 183)	( 19 435)	( 21 618)
Banking, insurance, financial services (excluding sovereign)	243 260	-	-	-	-	330	-	243 590	( 15 800)	( 224)	( 16 024)
Public and government sector (including central banks)	99 319	-	-	-	-	676	-	99 995	-	( 481)	( 481)
Trade finance	66 747	-	-	-	-	-	-	66 747	-	-	-
<b>Total gross core loans and advances to customers</b>	<b>6 437 256</b>	<b>342 195</b>	<b>2 149</b>	<b>59 766</b>	<b>345 229</b>	<b>130 949</b>	<b>87 169</b>	<b>7 404 713</b>	<b>( 36 316)</b>	<b>( 107 547)</b>	<b>( 143 863)</b>
<b>As at 31 March 2010</b>											
Private Banking professional and HNW individuals	4 623 132	181 205	2 592	95 754	232 627	125 030	55 492	5 315 832	( 5 695)	( 85 213)	( 90 908)
Corporate sector	1 631 111	18 835	-	7 050	36 748	39 924	-	1 733 668	( 1 715)	( 26 945)	( 28 660)
Banking, insurance, financial services (excluding sovereign)	155 893	-	-	-	-	620	-	156 513	( 12 500)	( 507)	( 13 007)
Public and government sector (including central banks)	85 140	-	-	-	-	793	-	85 933	-	( 553)	( 553)
Trade Finance	65 734	-	-	-	-	-	-	65 734	-	-	-
<b>Total gross core loans and advances to customers</b>	<b>6 561 010</b>	<b>200 040</b>	<b>2 592</b>	<b>102 804</b>	<b>269 375</b>	<b>166 367</b>	<b>55 492</b>	<b>7 357 680</b>	<b>( 19 910)</b>	<b>( 113 218)</b>	<b>( 133 128)</b>

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

£'000	30 Sept 2010	31 March 2010
Private Banking professional and HNW individuals	5 156 263	5 315 832
Corporate sector	1 838 118	1 733 668
Banking, insurance, financial services (excluding sovereign)	243 590	156 513
Public and government sector (including central banks)	99 995	85 933
Trade finance	66 747	65 734
<b>Total gross core loans and advances to customers</b>	<b>7 404 713</b>	<b>7 357 680</b>



## Risk management

An analysis of default core loans and advances as at 30 September 2010

£ million	UK and Europe				Australia				Total			
	Gross core loans	Gross defaults	Collateral against defaults	Impairments	Gross core loans	Gross defaults	Collateral against defaults	Impairments	Gross core loans	Gross defaults	Collateral against defaults	Impairments
<b>Private Bank</b>												
Residential property investments	510	1	1	-	126	2	-	-	636	3	1	-
Residential mortgages - owner occupied	178	-	-	-	50	-	-	-	228	-	-	-
Residential property development	744	135	110	( 51)	-	-	-	-	744	135	110	( 51)
Residential estates	-	-	-	-	181	95	81	( 20)	181	95	81	( 20)
Commercial property investment	1 080	20	16	( 4)	502	41	65	( 1)	1 582	61	81	( 5)
Commercial land	109	44	36	( 16)	17	17	16	( 2)	126	61	52	( 18)
Commercial property development	313	42	28	( 6)	70	41	48	-	383	83	76	( 6)
Cash and securities backed lending	173	-	-	-	25	-	-	-	198	-	-	-
Asset backed lending	177	2	-	( 1)	579	5	5	( 1)	756	7	5	( 2)
Unlisted securities and general corporate lending	103	-	-	-	111	7	4	-	214	7	4	-
Unsecured lending	58	14	-	( 4)	50	-	-	-	108	14	-	( 4)
<b>Total Private Bank</b>	<b>3 445</b>	<b>258</b>	<b>191</b>	<b>( 82)</b>	<b>1 711</b>	<b>208</b>	<b>219</b>	<b>( 24)</b>	<b>5 156</b>	<b>466</b>	<b>410</b>	<b>( 106)</b>
<b>Capital Markets</b>												
Acquisition finance	702	19	18	( 2)	-	-	-	-	702	19	18	( 2)
Small ticket asset finance	321	18	6	( 12)	-	-	-	-	321	18	6	( 12)
Principal finance	451	35	32	( 3)	90	4	4	-	541	39	36	( 3)
Project finance	218	-	-	-	62	-	-	-	280	-	-	-
Structured finance	156	13	11	( 1)	9	-	-	-	165	13	11	( 1)
Resource finance and commodities	67	-	-	-	40	8	3	( 4)	107	8	3	( 4)
<b>Total Capital Markets</b>	<b>1 915</b>	<b>85</b>	<b>67</b>	<b>( 18)</b>	<b>201</b>	<b>12</b>	<b>7</b>	<b>( 4)</b>	<b>2 116</b>	<b>97</b>	<b>74</b>	<b>( 22)</b>
Other*	130	-	-	( 16)	2	-	-	-	132	-	-	( 16)
<b>Total group</b>	<b>5 490</b>	<b>343</b>	<b>258</b>	<b>( 116)</b>	<b>1 914</b>	<b>220</b>	<b>226</b>	<b>( 28)</b>	<b>7 435</b>	<b>563</b>	<b>484</b>	<b>( 144)</b>

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



## Risk management

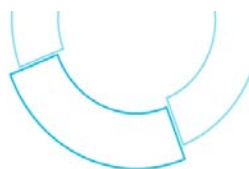
### Collateral

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

£'000	Collateral held against		Total
	Gross core loans and advances	Other credit and counterparty exposures *	
<b>As at 30 September 2010</b>			
<b>Eligible financial collateral</b>	<b>248 405</b>	<b>73 504</b>	<b>321 909</b>
Listed shares	116 495	25 985	142 480
Cash	131 910	47 519	179 429
<b>Mortgage bonds</b>	<b>6 042 249</b>	<b>227 828</b>	<b>6 270 077</b>
Residential mortgages	1 598 225	12 476	1 610 701
Residential development	1 332 967	34 770	1 367 737
Commercial property developments	706 445	26 394	732 839
Commercial property investments	2 404 612	154 188	2 558 800
<b>Other collateral</b>	<b>4 171 017</b>	<b>12 782</b>	<b>4 183 799</b>
Unlisted shares	456 049	8 147	464 196
Bonds other than mortgage bonds	51 496	-	51 496
Debtors, stock and other corporate assets	2 373 359	-	2 373 359
Guarantees	503 251	4 635	507 886
Credit derivatives	13 055	-	13 055
Other	773 807	-	773 807
<b>Total collateral</b>	<b>10 461 671</b>	<b>314 114</b>	<b>10 775 785</b>
<b>As at 31 March 2010</b>			
<b>Eligible financial collateral</b>	<b>315 508</b>	<b>51 704</b>	<b>367 212</b>
Listed shares	119 853	24 808	144 661
Cash	195 655	26 896	222 551
Debt securities issued by sovereigns	-	-	-
<b>Mortgage bonds</b>	<b>6 447 603</b>	<b>24 273</b>	<b>6 471 876</b>
Residential mortgages	1 472 205	789	1 472 994
Residential development	1 592 869	15 580	1 608 449
Commercial property developments	846 895	7 839	854 734
Commercial property investments	2 535 634	65	2 535 699
<b>Other collateral</b>	<b>3 589 501</b>	<b>9 884</b>	<b>3 599 385</b>
Unlisted shares	364 706	4 111	368 817
Bonds other than mortgage bonds	55 516	-	55 516
Debtors, stock and other corporate assets	2 054 324	5 773	2 060 097
Guarantees	390 812	-	390 812
Other	724 143	-	724 143
<b>Total collateral</b>	<b>10 352 612</b>	<b>85 861</b>	<b>10 438 473</b>

\* 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

### Equity and investment risk in the banking book

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

- Investment Banking Principal Investments (Private Equity and Direct Investments) are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio of assets. These investment positions are carefully researched with the intent to stimulate corporate activity.

- Lending transactions (within the Private Banking and Capital Markets divisions): The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies.

- Property Activities: We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters.

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

£'000	Income (pre funding costs)			Total	Fair value through equity
	Unrealised	Realised	Dividends, net interest and other		
<b>Six months to 30 September 2010</b>					
<b>Unlisted investments</b>	<b>7 890</b>	<b>13 079</b>	<b>( 2 080)</b>	<b>18 889</b>	<b>( 938)</b>
UK and Europe	7 890	10 133	(2 125)	15 898	23
Australia	-	2 946	45	2 991	(961)
<b>Listed equities</b>	<b>3 739</b>	<b>3 307</b>	<b>541</b>	<b>7 587</b>	<b>( 820)</b>
UK and Europe	3 739	(1)	443	4 181	15
Australia	-	3 308	98	3 406	(835)
<b>Investment and trading properties</b>	<b>8</b>	<b>( 60)</b>	<b>93</b>	<b>41</b>	<b>-</b>
UK and Europe	8	(60)	93	41	-
<b>Warrants, profit shares and other embedded derivatives</b>	<b>565</b>	<b>159</b>	<b>( 2 948)</b>	<b>( 2 224)</b>	<b>-</b>
UK and Europe	565	159	(2 948)	(2 224)	-
Australia	-	-	-	-	-
<b>Total</b>	<b>12 202</b>	<b>16 485</b>	<b>( 4 394)</b>	<b>24 293</b>	<b>( 1 758)</b>
<b>Year ended 31 March 2010</b>					
<b>Unlisted investments</b>	<b>( 1 177)</b>	<b>12 052</b>	<b>( 518)</b>	<b>10 357</b>	<b>( 929)</b>
UK and Europe	(1 177)	9 911	(1 278)	7 456	(1 689)
Australia	-	2 141	760	2 901	760
<b>Listed equities</b>	<b>( 2 943)</b>	<b>12 244</b>	<b>( 15 453)</b>	<b>( 266)</b>	<b>3 606</b>
UK and Europe	(2 943)	9 919	(15 487)	(2 625)	89
Australia	-	2 325	34	2 359	3 695
<b>Investment and trading properties</b>	<b>-</b>	<b>65</b>	<b>171</b>	<b>236</b>	<b>4</b>
UK and Europe	-	65	171	236	4
<b>Warrants, profit shares and other embedded derivatives</b>	<b>633</b>	<b>14 409</b>	<b>( 1 745)</b>	<b>13 297</b>	<b>-</b>
UK and Europe	980	14 409	(1 744)	13 645	-
Australia	(347)	-	(1)	(348)	-
<b>Total</b>	<b>( 3 487)</b>	<b>38 770</b>	<b>( 17 545)</b>	<b>23 624</b>	<b>2 681</b>

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are included in Tier 2 capital.

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

£'000	On-balance sheet value of investments	Valuation change stress test*	On-balance sheet value of investments	Valuation change stress test*
	30 Sept 2010	30 Sept 2010	31 March 2010	31 March 2010
<b>Unlisted investments</b>	<b>165 122</b>	<b>24 769</b>	<b>147 600</b>	<b>22 140</b>
UK and Europe	155 851	23 378	135 343	20 301
Australia	9 271	1 391	12 257	1 839
<b>Listed equities</b>	<b>30 901</b>	<b>7 725</b>	<b>23 827</b>	<b>5 957</b>
UK and Europe	29 216	7 304	15 723	3 936
Australia	1 685	421	8 084	2 021
<b>Investment and trading properties</b>	<b>10 324</b>	<b>2 065</b>	<b>10 810</b>	<b>2 162</b>
UK and Europe	10 324	2 065	10 810	2 162
<b>Warrants, profit shares and other embedded derivatives</b>	<b>31 769</b>	<b>11 118</b>	<b>34 150</b>	<b>11 952</b>
UK and Europe	31 769	11 118	34 150	11 952
Australia	-	-	-	-
<b>Total</b>	<b>238 116</b>	<b>45 677</b>	<b>216 387</b>	<b>42 211</b>

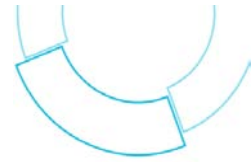
\*In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied.

#### Stress test values applied

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

Based on the information above we could have a £46 million reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the company to report a loss but could have a significantly negative impact on earnings for that period.

The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.



## Risk Management

### 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.

#### UK and Europe

The Principal Finance business focuses on securitisation of our assets, predominantly residential and commercial mortgages. We also undertake trading and investment in structured credit investments where we have invested in rated and unrated debt instruments largely within the UK and Europe and to a lesser extent in the US.

#### Australia

Investec Bank (Australia) Limited acquired Experien in 2007. Assets originated by the business have been securitised. These amount to A\$807 million (31 March 2010: A\$860 million) and include leases and instalment debtors (A\$514 million), residential mortgages (A\$33 million), commercial mortgages (A\$149 million) and other loans, for example overdrafts (A\$111 million). These securitisation structures have all been rated by Standard and Poor's.

#### Credit analysis

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

Nature of exposure/activity	Exposure as at 30 Sept 2010 £'mn	Exposure as at 31 March 2010 £'mn	Credit analysis internal risk classification	Asset quality - relevant comments for the period	Capital treatment
Structured credit investments*	1,118	762	On-balance sheet securitisation/principal finance exposure		Risk-weighted or supervisory deductions against primary and secondary capital
Rated	574	364			
Unrated	88	50			
Other	456	348			
Private banking division assets which have been securitised	496	519	On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances.	We apply securitised rules: either risk-weighted or supervisory deductions against primary and secondary capital.

#### \*Analysis of structured credit investments

£'million	Rated**	Unrated	Other	Total
US sub-prime	-	-	-	-
US corporate loans	24	5	-	29
US ABS	4	-	-	4
European ABS	3	7	-	10
European RMBS	373	65	444	882
European CMBS	87	-	-	87
European credit cards	26	-	-	26
European corporate loans	-	11	-	11
Australian RMBS	57	-	-	57
Other (credit default swaps)	-	-	12	12
<b>Total</b>	<b>574</b>	<b>88</b>	<b>456</b>	<b>1,118</b>

#### \*\*Further analysis of rated structured credit investments

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	-	-	-	-	4	5	15	24
US ABS	-	-	-	-	-	-	4	4
European ABS	-	-	-	3	-	-	-	3
European RMBS	76	34	13	208	16	-	26	373
European CMBS	3	17	36	18	8	-	5	87
European credit cards	10	3	2	-	11	-	-	26
Australian RMBS	24	4	12	17	-	-	-	57
<b>Total</b>	<b>113</b>	<b>58</b>	<b>63</b>	<b>246</b>	<b>39</b>	<b>5</b>	<b>50</b>	<b>574</b>



## Risk management

### Traded market risk management

#### Traded market risk description

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

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

#### Management and measurement of traded market risk

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

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Trading is also limited to the most liquid instruments and each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least "risky" instruments being assigned the largest limits.

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), 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.

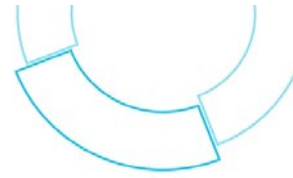
VaR numbers are monitored at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are monitored at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (no necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to Executive Risk Review Forum (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.

#### VaR

	UK and Europe 95% (one-day)				Australia 95% (one-day)			
	Period end £'000	Average £'000	High £'000	Low £'000	Period end A\$'000	Average A\$'000	High A\$'000	Low A\$'000
<b>30 September 2010</b>								
Commodities	16	22	30	14	-	-	-	-
Equity derivatives	1 693	1 635	2 329	711	-	-	-	-
Foreign exchange	54	33	100	5	2	14	78	2
Interest rates	497	466	789	368	89	88	198	16
<b>Consolidated*</b>	<b>1 723</b>	<b>1 737</b>	<b>2 285</b>	<b>984</b>	<b>90</b>	<b>91</b>	<b>202</b>	<b>15</b>
<b>31 March 2010</b>								
Commodities	27	28	91	19	-	-	-	-
Equity derivatives	1 798	1 450	2 333	683	-	-	-	-
Foreign exchange	16	29	162	4	9	11	69	1
Interest rates	501	593	1 474	101	146	130	205	53
<b>Consolidated*</b>	<b>1 791</b>	<b>1 607</b>	<b>2 598</b>	<b>995</b>	<b>154</b>	<b>141</b>	<b>230</b>	<b>69</b>

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



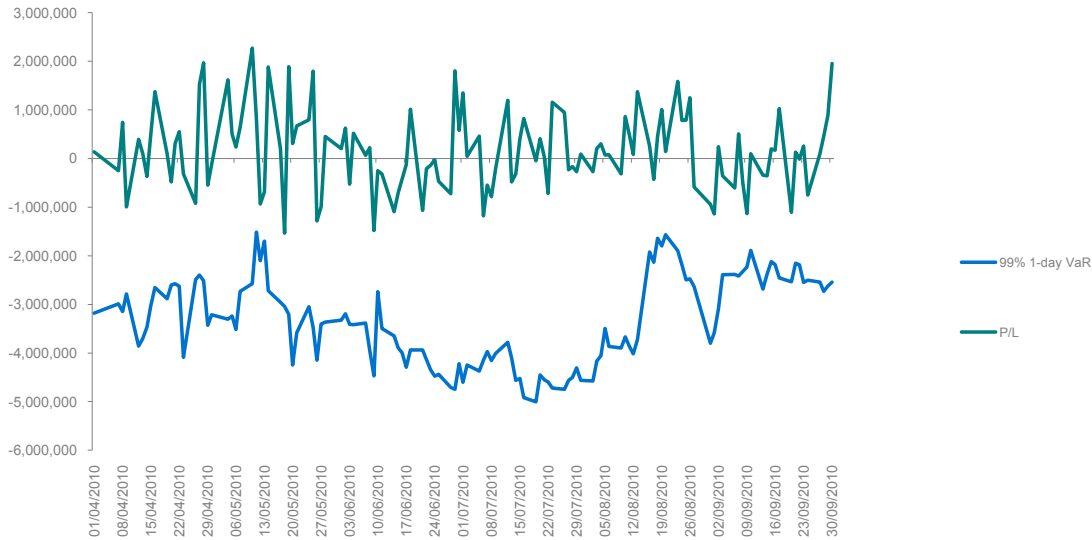
## Risk management

### Traded market risk management

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

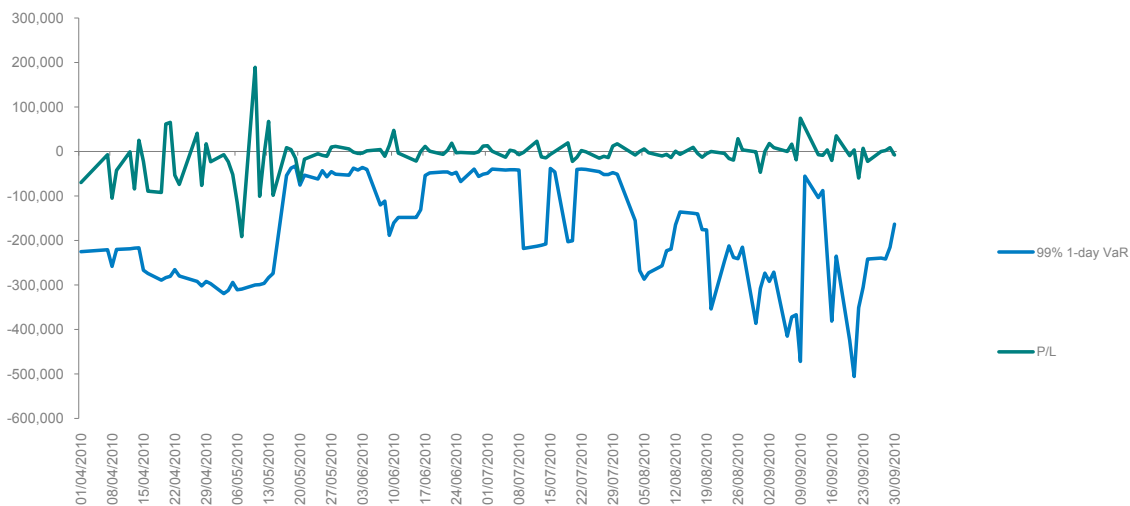
#### UK and Europe (GBP)

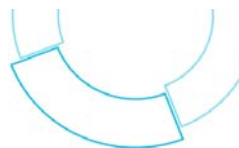
There have been no exceptions i.e. where the losses were greater than the 99% 1-day VaR over the period ending 30 September 2010. This is less than expected and indicative of the low limit utilisation and low client flow experienced in the trading area.



#### Australia

There have been no exceptions i.e. where the losses were greater than the 99% 1-day VaR over the period ending 30 September 2010. This is less than expected and indicative of the low limit utilisation and low client flow experienced in the trading area.





#### ETL 95% (one-day)

£'000	Uk and Europe 95% (one-day) £'000	Australia 95% (one-day) A\$'000
<b>30 September 2010</b>		
Commodities	26	-
Equity derivatives	2 534	-
Foreign exchange	68	3
Interest rates	795	182
<b>Consolidated*</b>	<b>2 663</b>	<b>183</b>
<b>31 March 2010</b>		
Commodities	43	n/a
Equity derivatives	2 648	n/a
Foreign exchange	24	n/a
Interest rates	783	n/a
<b>Consolidated*</b>	<b>2 663</b>	<b>n/a</b>

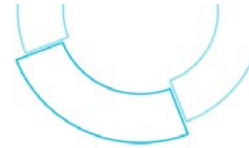
\*The consolidated ETL for each desk is lower than the sum of the individual ETL's. This arises from the correlation offset between various asset classes.

#### Stress testing

The table below shows the results of fitting Extreme Value Distributions to the tail of our historical profit and loss distribution that is used to calculate VaR. This methodology will estimate how the tail of the distribution should look, hence to a degree allows for "fat tails" and indicates a more realistic idea of the risk given an extreme event.

	UK and Europe Using 99% EVT £'000	Australia Using 99% EVT A\$'000
<b>30 September 2010</b>		
Commodities	53	-
Equity derivatives	6 672	-
Foreign exchange	123	4
Interest rates	2 311	1 138
<b>Consolidated</b>	<b>6 068</b>	<b>1 177</b>
<b>31 March 2010</b>		
Commodities	207	-
Equity derivatives	13 760	-
Foreign exchange	122	50
Interest rates	3 834	846
<b>Consolidated</b>	<b>17 923</b>	<b>896</b>

The consolidated stress EVT for each desk and each entity at the period is lower than the sum of the individual stress EVT's. This arises from the consolidation offset between various asset classes

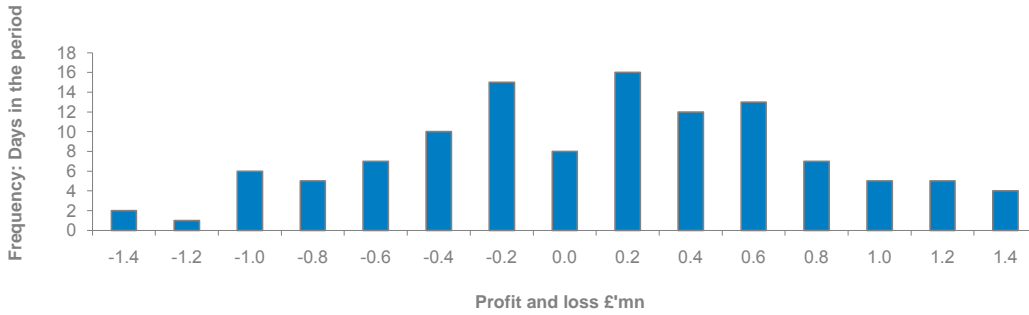


## Risk management

### Profit and loss histograms

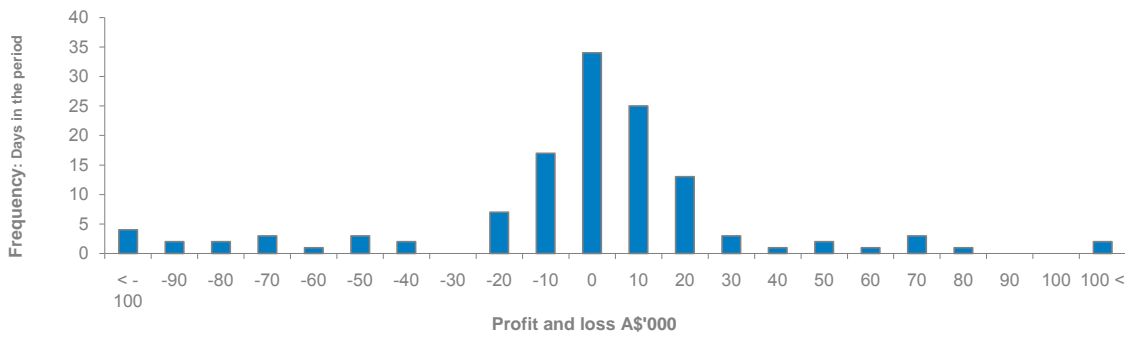
#### UK and Europe

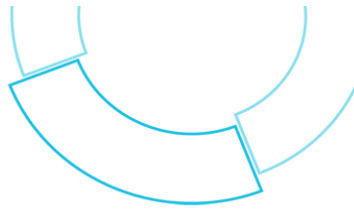
The histogram below illustrates the distribution in daily revenue for our trading businesses. The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 72 days out of a total of 126 days in the trading business. The average daily trading revenue generated for the six months ending 30 September 2010 was £148,643.



#### Australia

The histogram below illustrates the distribution in daily revenue for our trading businesses. The graph shows that negative trading revenue was realised on 85 days out of a total of 126 days in the trading business. The average daily trading loss generated for the six months ending 30 September 2010 was A\$ 6,594





## **Risk management**

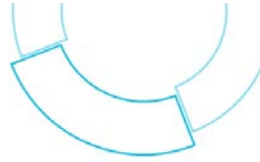
### **Balance sheet risk management**

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 banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, the slope 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.



## Risk management

### Interest rate sensitivity gap

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

#### UK and Europe - interest rate sensitivity

As at 30 September 2010 £'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	1 724	-	2	-	-	20	1 746
Cash and short-term funds - non-banks	-	-	-	-	-	-	-
Investment/trading assets	1 696	18	2	32	300	226	2 274
Securitised assets	679	2	1	2	-	1	685
Advances	5 020	782	125	346	113	-	6 386
Other assets	-	-	-	-	-	630	630
<b>Assets</b>	<b>9 119</b>	<b>802</b>	<b>130</b>	<b>380</b>	<b>413</b>	<b>877</b>	<b>11 721</b>
Deposits - banks	( 597)	( 11)	( 19)	( 51)	-	-	( 678)
Deposits - non-banks	(6 688)	( 458)	(1 198)	( 81)	( 47)	( 2)	(8 474)
Negotiable paper	( 380)	( 2)	( 127)	( 155)	( 20)	-	( 684)
Investment/trading liabilities	( 216)	-	( 10)	-	-	( 93)	( 319)
Securitised liabilities	( 569)	-	-	-	-	-	( 569)
Subordinated liabilities	-	-	( 213)	-	( 268)	-	( 481)
Other liabilities	-	-	-	-	-	( 586)	( 586)
<b>Liabilities</b>	<b>(8 450)</b>	<b>( 471)</b>	<b>(1 567)</b>	<b>( 287)</b>	<b>( 335)</b>	<b>( 681)</b>	<b>(11 791)</b>
Intercompany loans	844	-	-	-	( 73)	-	771
<b>Shareholders' funds</b>	-	-	-	-	-	<b>( 911)</b>	<b>( 911)</b>
<b>Balance sheet</b>	<b>1 513</b>	<b>331</b>	<b>(1 437)</b>	<b>93</b>	<b>5</b>	<b>( 715)</b>	<b>( 210)</b>
Off-balance sheet	( 815)	110	1 144	( 87)	( 345)	( 48)	( 41)
<b>Repricing gap</b>	<b>698</b>	<b>441</b>	<b>( 293)</b>	<b>6</b>	<b>( 340)</b>	<b>( 763)</b>	<b>( 251)</b>
Cumulative repricing gap	698	1 139	846	852	512	( 251)	-

#### Australia - interest rate sensitivity

As at 30 September 2010 A\$'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	351	-	-	-	-	-	351
Investment/trading assets	1 308	20	112	185	-	31	1 656
Securitised assets	201	62	124	415	4	-	806
Advances	2 011	29	64	193	12	26	2 334
Other assets	-	-	-	-	-	327	327
<b>Assets</b>	<b>3,870</b>	<b>111</b>	<b>300</b>	<b>793</b>	<b>16</b>	<b>384</b>	<b>5 473</b>
Deposits - banks	-	-	-	-	-	-	-
Deposits - non-banks	(1,479)	(310)	(149)	(89)	(8)	(21)	(2 055)
Negotiable paper	(895)	(23)	(9)	(845)	-	(13)	(1 784)
Securitised liabilities	(785)	-	-	-	-	-	( 785)
Investment/trading liabilities	-	-	-	-	-	-	-
Subordinated liabilities	(73)	-	-	-	-	-	( 73)
Other liabilities	-	-	-	-	-	(112)	( 112)
<b>Liabilities</b>	<b>(3,231)</b>	<b>(333)</b>	<b>(158)</b>	<b>(934)</b>	<b>(8)</b>	<b>(146)</b>	<b>(4 809)</b>
Intercompany loans	(17)	-	-	(2)	-	34	15
<b>Shareholders' funds</b>	-	-	-	-	-	<b>(678)</b>	<b>( 678)</b>
<b>Balance sheet</b>	<b>622</b>	<b>(222)</b>	<b>142</b>	<b>(143)</b>	<b>8</b>	<b>(407)</b>	-
Off-balance sheet	60	(61)	(43)	52	(9)	1	-
<b>Repricing gap</b>	<b>682</b>	<b>(283)</b>	<b>99</b>	<b>(91)</b>	<b>(1)</b>	<b>(406)</b>	-
Cumulative repricing gap	682	398	498	407	406	-	-

### Economic value sensitivity

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

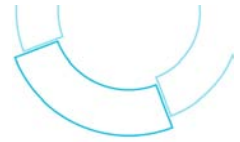
#### UK and Europe

' million	Sensitivity to the following interest rates				All (GBP)
	GBP	USD	EUR	Other (GBP)	
200bp Down	(38.0)	(0.6)	3.0	0.3	(35.3)
200bp Up	38.0	0.6	(3.0)	(0.3)	35.3

#### Australia

' million	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 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 marketwide events.

Liquidity risk is further broken down into:

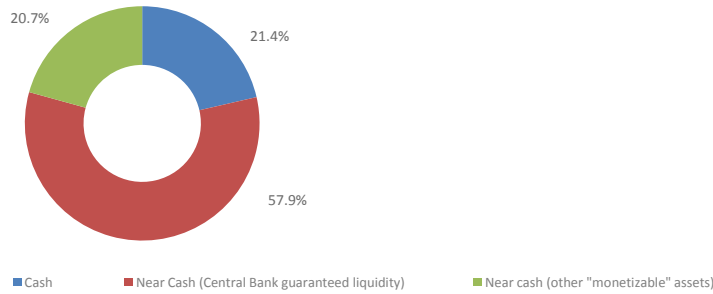
- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank 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 inflows of appropriate absence of correspondent funding maturity.

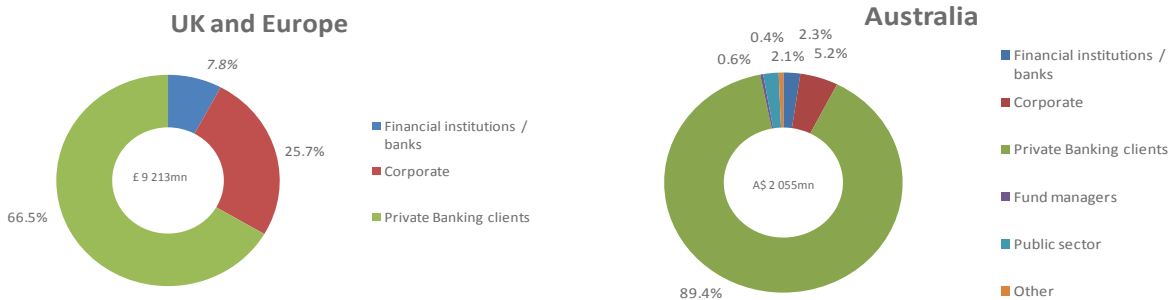
#### Cash and near cash trend



#### Analysis of cash and near cash as at 30 September 2010 (£4,706 million)



#### Bank and non bank depositor concentration by type





## Risk management

### Balance sheet risk management

#### Liquidity mismatch

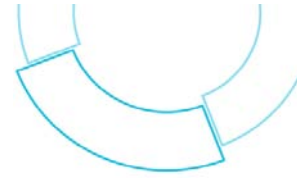
The tables that follow show our liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered, cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash as a buffer against both expected and unexpected cash flows
- The actual contractual profile of this asset class is a little of 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.



## Risk management

### UK and Europe

#### Contractual liquidity

As at 30 September 2010 £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	1 443	524	85	-	2	-	-	2 054
Cash and short term funds - non-banks	-	-	-	-	-	-	-	-
Investment/trading assets	1 106	905	450	44	43	383	477	3 408
Securitised assets	60	-	-	1	1	20	602	684
Advances	-	717	521	420	677	2 275	1 746	6 356
Other assets	116	290	22	-	-	82	122	632
<b>Assets</b>	<b>2 725</b>	<b>2 436</b>	<b>1 078</b>	<b>465</b>	<b>723</b>	<b>2 760</b>	<b>2 947</b>	<b>13 134</b>
Deposits - banks	(215) <sup>^</sup>	(377)	(52)	(123)	(81)	(83)	-	(716)
Deposits - non banks	(502)	(2 009)	(1 863)	(2 664)	(361)	(1 016)	(82)	(8 497)
Negotiable paper	(8)	(18)	(16)	(2)	(5)	(506)	(134)	(689)
Securitised liabilities	-	-	-	-	-	-	(569)	(569)
Investment/trading liabilities	(607)	(60)	(494)	(10)	(4)	(57)	(3)	(1 235)
Subordinated liabilities	-	-	-	-	(213)	-	(268)	(481)
Other liabilities	(144)	(216)	(28)	(3)	(148)	(6)	(41)	(586)
<b>Liabilities</b>	<b>(1 476)</b>	<b>(2 680)</b>	<b>(2 453)</b>	<b>(2 802)</b>	<b>(812)</b>	<b>(1 668)</b>	<b>(1 097)</b>	<b>(12 773)</b>
Intercompany loans	82	(18)	(164)	-	-	876	(11)	765
Shareholders' funds	-	-	-	-	-	-	(911)	(911)
<b>Contractual liquidity gap</b>	<b>1 331</b>	<b>(262)</b>	<b>(1 539)</b>	<b>(2 337)</b>	<b>(89)</b>	<b>1 968</b>	<b>928</b>	<b>-</b>
Cumulative liquidity gap	1 331	1 069	(470)	(2 807)	(2 896)	(928)	-	-

#### Behavioural liquidity

£million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	> 5 years	Total
<b>Behavioural liquidity gap</b>	<b>2 075</b>	<b>(261)</b>	<b>(1 104)</b>	<b>(972)</b>	<b>(90)</b>	<b>(273)</b>	<b>(625)</b>	<b>-</b>
Cumulative	2 075	1 814	710	(262)	(352)	(625)	-	-

<sup>^</sup>The deposits shown in the demand column reflect cash margin deposits held

### Australia

#### Contractual liquidity

As at 30 September 2010 A\$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	351	-	-	-	-	-	-	351
Investment/trading assets*	1 463	18	5	8	39	191	51	1 776
Securitised assets	1	29	54	87	177	451	7	806
Advances	8	102	325	251	612	946	90	2 334
Other assets	-	-	-	-	-	-	207	207
<b>Assets</b>	<b>1 822</b>	<b>150</b>	<b>384</b>	<b>347</b>	<b>829</b>	<b>1 588</b>	<b>355</b>	<b>5 473</b>
Deposits - banks	(611) <sup>^^</sup>	(201)	(638)	(331)	(178)	(89)	(8)	(2 055)
Deposits - non banks	-	(83)	(115)	(26)	(48)	(1 513)	-	(1 784)
Negotiable paper	(1)	(25)	(44)	(498)	(218)	-	-	(785)
Securitised liabilities	-	(2)	(22)	(6)	(6)	(37)	(21)	(94)
Investment/trading liabilities	-	-	-	-	-	(73)	-	(73)
Subordinated liabilities	-	-	-	-	-	-	(19)	(19)
Other liabilities	-	-	-	-	-	-	(19)	(19)
<b>Liabilities</b>	<b>(611)</b>	<b>(311)</b>	<b>(819)</b>	<b>(861)</b>	<b>(449)</b>	<b>(1 712)</b>	<b>(48)</b>	<b>(4 809)</b>
Intercompany Loans	30	-	-	-	(1)	(18)	4	15
Shareholders' funds	-	-	-	-	-	-	(678)	(678)
<b>Contractual liquidity gap</b>	<b>1 240</b>	<b>(161)</b>	<b>(435)</b>	<b>(515)</b>	<b>379</b>	<b>(141)</b>	<b>(367)</b>	<b>-</b>
Cumulative liquidity gap	1 240	1 079	644	129	508	367	-	-

<sup>^^</sup> Includes call deposits of A\$589 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity

#### Note: contractual liquidity adjustments

A\$million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	> 5 years	Total
*Investment / trading assets	15	209	313	47	169	952	69	1 776
**Advances	430	81	283	138	387	925	90	2 334

#### Behavioural liquidity

A\$million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	> 5 years	Total
<b>Behavioural liquidity gap</b>	<b>1 770</b>	<b>(249)</b>	<b>(671)</b>	<b>(627)</b>	<b>285</b>	<b>(141)</b>	<b>(367)</b>	<b>-</b>
Cumulative	1 770	1 521	850	223	508	367	-	-



## Capital adequacy and capital structure

£'million	30 Sept 2010	31 March 2010	30 Sept 2009
<b>Regulatory capital</b>			
<b>Tier 1</b>			
Called up share capital	836	748	703
Share premium	117	71	47
Retained income	338	343	318
Other reserves	73	67	59
Minority interests in subsidiaries	( 10)	( 10)	( 9)
Goodwill	( 103)	( 96)	( 82)
<b>Total Tier 1</b>	<b>1 251</b>	<b>1 123</b>	<b>1 036</b>
Less: deductions	( 18)	( 14)	( 46)
	<b>1 233</b>	<b>1 109</b>	<b>990</b>
<b>Tier 2</b>			
Aggregate amount	529	525	552
Less: deductions	( 18)	( 14)	( 46)
	<b>511</b>	<b>511</b>	<b>506</b>
<b>Tier 3</b>			
Aggregate amount	-	-	10
<b>Other deductions from Tier 1 and Tier 2</b>	( 72)	( 101)	( 101)
<b>Total capital</b>	<b>1 672</b>	<b>1 519</b>	<b>1 405</b>
<b>Risk-weighted assets (banking and trading)</b>	<b>9 528</b>	<b>8 997</b>	<b>8 955</b>
Credit risk - prescribed standardised exposure classes	7 736	7 380	7 043
Corporates	2 336	2 874	2 814
Secured on real estate property	3 277	2 371	2 401
Counterparty risk on trading positions	288	245	216
Short term claims on institutions and corporates	336	346	260
Retail	580	550	354
Institutions	187	131	163
Other exposure classes	782	863	835
Securitised exposures	352	243	169
Equity risk - standardised approach	229	203	217
Listed equities	32	25	36
Unlisted equities	197	178	181
Market risk - portfolios subject to internal models approach	325	285	653
Interest rate	149	149	153
Foreign Exchange	11	11	9
Equities	165	125	491
Operational risk - standardised approach	886	886	873
<b>Capital requirements</b>	<b>763</b>	<b>720</b>	<b>716</b>
Credit risk - prescribed standardised exposure classes	619	591	563
Corporates	187	230	225
Secured on real estate property	258	190	192
Counterparty risk on trading positions	23	20	17
Short term claims on institutions and corporates	27	28	21
Retail	46	44	28
Institutions	15	10	13
Other exposure classes	63	69	67
Securitised exposures	28	19	14
Equity risk - standardised approach	19	16	17
Listed equities	3	2	3
Unlisted equities	16	14	14
Market risk - portfolios subject to internal models approach	26	23	52
Interest rate	12	12	12
Foreign Exchange	1	1	1
Equities	13	10	39
Operational risk - standardised approach	71	71	70
<b>Capital adequacy ratio</b>	<b>17.5%</b>	<b>16.9%</b>	<b>15.7%</b>
Tier 1 ratio	12.9%	12.3%	11.1%
<b>Capital adequacy ratio - pre operational risk</b>	<b>19.3%</b>	<b>18.7%</b>	<b>17.4%</b>
Tier 1 ratio - pre operational risk	14.3%	13.7%	12.2%