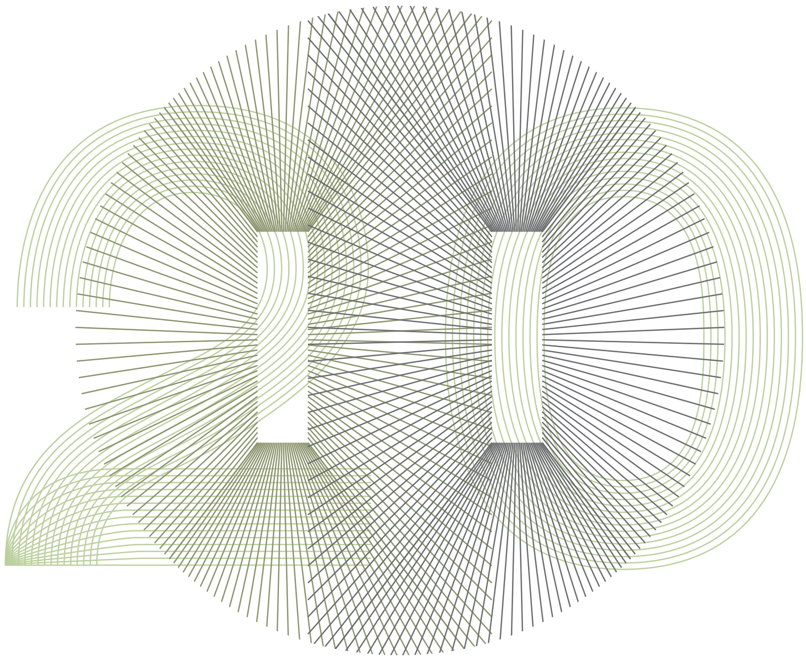
Investec Bank Limited group and company annual financial statements **2011**



Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Corporate information

Secretary and registered office

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Reg. No. 1969/004763/06

Auditors

KPMG Inc.
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Investec directors

Refer to page 95

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Refer to page 192

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Contents

01 Investec in perspective

02 Overview of the activities of Investec Bank Limited

03 Financial review

04 Risk management and corporate governance

05 Remuneration report

06 Financial statements

Investec in perspective

Overview of the Investec group

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

Who we are

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

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

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

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

What we do

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

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

Philosophies

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

Values

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

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

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

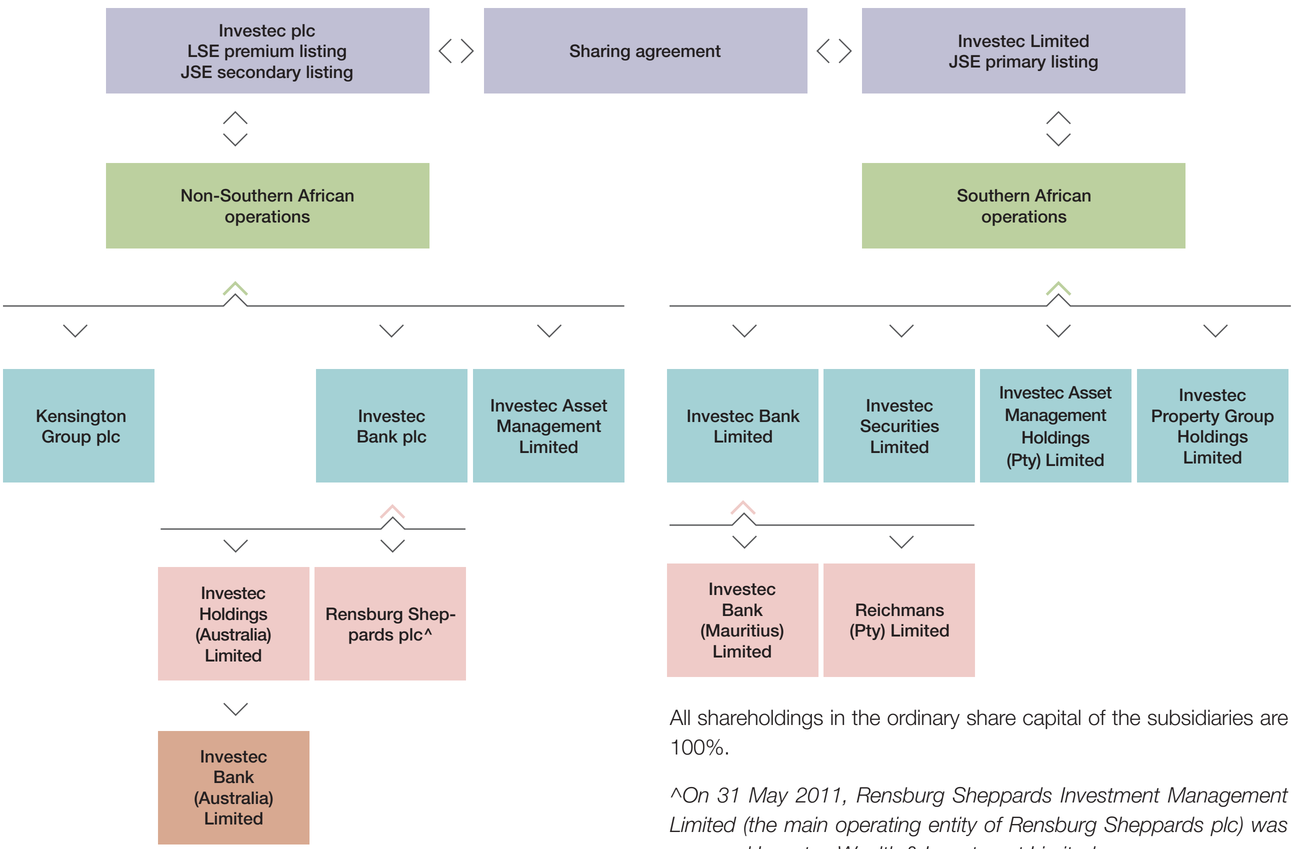
Cast-iron integrity
- Moral strength
- Risk consciousness
- Highest ethical standards

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

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

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

Our DLC structure and main operating subsidiaries as at 31 March 2011



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

^On 31 May 2011, Rensburg Sheppards Investment Management Limited (the main operating entity of Rensburg Sheppards plc) was renamed Investec Wealth & Investment Limited.

Salient features of the DLC structure

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

Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

2

Overview of the activities of Investec Bank Limited

Overview of the activities of Investec Bank Limited

Introduction

The bank's structure comprises three principal business units: Private Banking, Investment Banking and Capital Markets. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions including risk management, information technology, finance, investor relations, marketing, human resources and organisational development. The head office is also responsible for our central funding as well as other activities such as trade finance.

Private Banking

Investec Private Bank positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Private Banking focuses on the following activities:

Banking

We deliver a number of personal savings, transactional activities and mortgage services for individuals, as well as cash management and treasury products for businesses.

Growth and acquisition finance

We focus on providing mezzanine or composite debt funding and minority equity investment to assist entrepreneurs, management teams and private equity houses to implement acquisition and organic growth strategies in mid-market companies.

Specialised lending

We are specialists in providing structured debt solutions for high net worth individuals with complex borrowing requirements.

Structured property finance

We play an integral role in the financing of property acquisitions and development transactions for our commercial and residential clients through delivery of senior debt, mezzanine and equity funding structures.

Trust and fiduciary

Our Trust and Fiduciary business focuses on the delivery and administration of appropriate financial structures which hold financial and non-financial assets for our clients.

Investment Banking

The Investment Banking division engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client centric approach.

Our activities include: corporate finance and principal investments. Our institutional stockbroking activities are conducted outside of the bank in Investec Securities Limited.

Our target market includes: listed and unlisted companies, fund managers, government and parastatals.

Corporate Finance

The Corporate Finance division focuses on the following activities:

- Financial advisory
  - M&A including disposals
  - Corporate and balance sheet restructuring
  - Privatisation
  - Corporate BEE transactions (partner selection, structuring, full negotiation, debt raising)
  - Fair and reasonable opinions.
- Equity capital markets
  - Primary listings (primary capital raisings) and inward listings
  - Secondary issues (rights offers/vendor placings/issues for cash)
  - Share buy-backs.
- Sponsor services
  - JSE/Securities Regulation Panel liaison and compliance.

Principal Investments

We invest in businesses using our balance sheet and apply a buy, build and grow strategy to deliver superior, sustainable returns through a combination of insightful investing, strategic participation and long-term trusted partnerships.

We invest directly into private companies or work as a specialist team to buy out public companies.

We back management teams through building trusted partnerships focusing on organic growth combined with bolt-on acquisitions to help build considerable, sustainable businesses, fund new technologies, expand working capital, make acquisitions and strengthen balance sheets.

Capital Markets

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

We focus on the following activities:

Asset and liability management (Treasury)

Central Treasury provides funding to the bank and manages liquidity and interest rate risk for the bank.

Treasury sales and structuring

This unit focuses on four principal areas of sales: interest rates, foreign exchange, commodities and money markets. Our sales activities are centred around a select target client base offering solutions for their short-term operational requirements as well as their long-term strategic requirements. Our activities include all associated areas of hedging, advisory, short-term lending, long-term lending overlays, deposit-taking, structured investment products, general risk management, related regulation and compliance. We also play an integral role in the associated transactional services and offshore needs of these clients.

Interest rate trading

We are involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and public sector bonds, interest rate options and repurchase agreements aimed at solutions for corporate, institutional and public sector clients.

Currency and derivatives trading

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

Financial products

We are involved in financial engineering, preference share investments and structures, credit derivatives and the development of investment products for the retail and institutional market.

Structured and asset finance

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

Resource and infrastructure finance

We provide advisory services; debt arranging and underwriting; and equity raising in the infrastructure, power and industrial sectors with a focus on healthcare, telecoms, defence projects, transport and power. We offer advisory services; debt arranging and underwriting; and equity raising in the mining resources industry together with structured hedging solutions.

Group Services and Other Activities

Group Services includes the central services and central funding functions, while Other Activities predominantly includes the International Trade Finance business.

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations.

While these services do not form part of the operating divisions, we have a policy in place whereby a portion of these costs are allocated to the divisions.

Our principal central services, relating to the operations and control of our business, are Risk Management, Information Technology, Finance, Investor Relations, Marketing and Organisation Development. Other group support services include: head office, internal audit and compliance, legal, company secretarial, tax, information and business intelligence centre, regulatory and facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Overview of the activities of Investec Bank Limited (continued)

Other Activities

Other Activities include those operations that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

International Trade Finance

We acquired our International Trade Finance business, ReichmansCapital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

Financial review

Snapshot of the year and strategic focus

Highlights

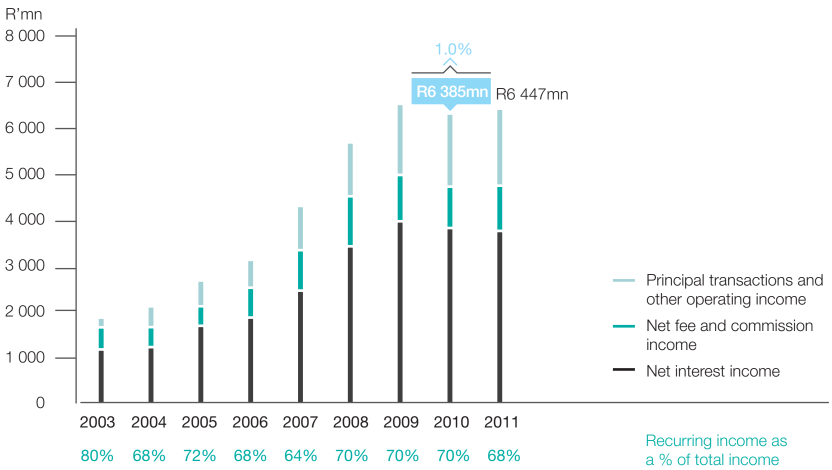
- Investec Bank Limited recorded an increase in headline earnings attributable to ordinary shareholders of 18.8% to R2.1 billion. Overall results were constrained by the slow recovery of non-performing loans
- A diversified business model continues to support a large recurring revenue base, totaling 67.9% of operating income (2010: 70.0%)
- Activity levels showed improvement; the Investment Banking and Capital Markets businesses recorded strong increases in operating profit
- The bank has maintained a strong capital and liquidity position:
  - Tier 1 ratio of 11.5%
  - Cash and near cash balances rose 9.6% to R52.6 billion
  - Customer deposits increased by 7.9% to R154.8 billion
  - The ratio of core loans (excluding own originated securitised assets) to deposits improved from 77.3% to 73.9%
  - Low gearing ratios; core loans and advances to equity fell to 6.1 times (2010: 6.8 times)
- The credit loss ratio was in line with the prior year at 0.74%; the bank expects this ratio to decrease during the forthcoming financial year
- Investment in the Investec brand continues.

Financial features

	31 March 2011	31 March 2010	% change
Operating profit before taxation and headline adjustments (R'million)	2 414	2 526	(4.4%)
Headline earnings attributable to ordinary shareholders (R'million)	2 191	1 845	18.8%
Cost to income ratio	49.3%	47.0%	
Total capital resources (including subordinated liabilities) (R'million)	25 703	21 795	17.9%
Total equity (R'million)	18 837	16 454	14.5%
Total assets (R'million)	221 562	197 879	12.0%
Net core loans and advances (R'million)	115 373	112 263	2.8%
Customer accounts (deposits) (R'million)	154 772	143 390	7.9%
Cash and near cash balances (R'million)	52 591	47 986	9.6%
Capital adequacy ratio	15.6%	15.5%	
Tier 1 ratio	11.5%	11.7%	

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

Total operating income



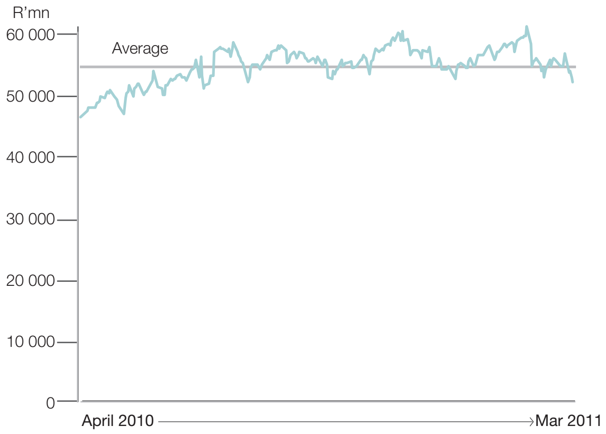
Where recurring income is net interest income and annuity fees and commissions.

Capital adequacy and Tier 1 ratios

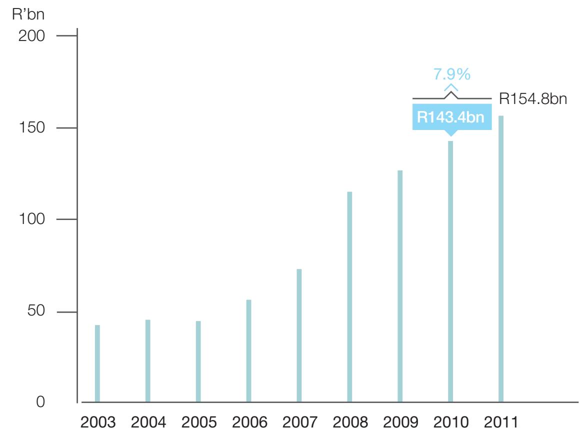
At 31 March 2011	Capital adequacy ratio	Tier 1 ratio
Investec Limited	15.9%	11.9%
Investec Bank Limited	15.6%	11.5%

Sound capital and liquidity position maintained… benefited from growing retail franchise

Cash and near cash trend



Customer accounts (deposits)



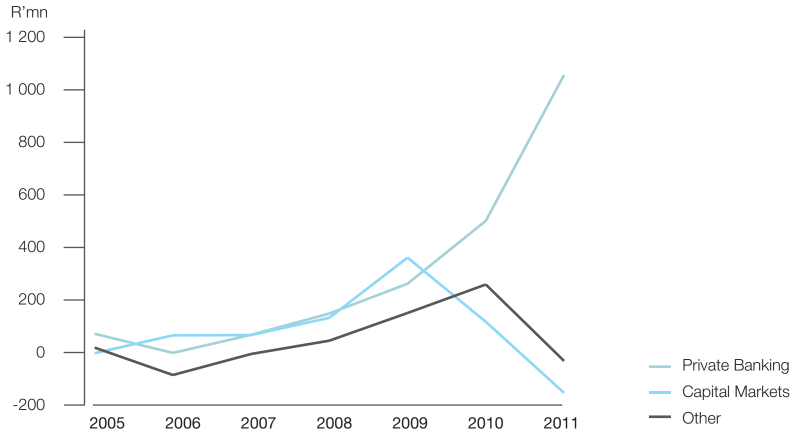
Sound capital and liquidity position maintained… achieved capital targets

- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has maintained a strong capital base and has met its targets in this period
- A well established liquidity management philosophy
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets – representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Reduced reliance on wholesale funding
- Benefited from growing retail franchise and recorded an increase in customer deposits
- Advances as a percentage of customer deposits is at 73.9% (2010: 77.3%).

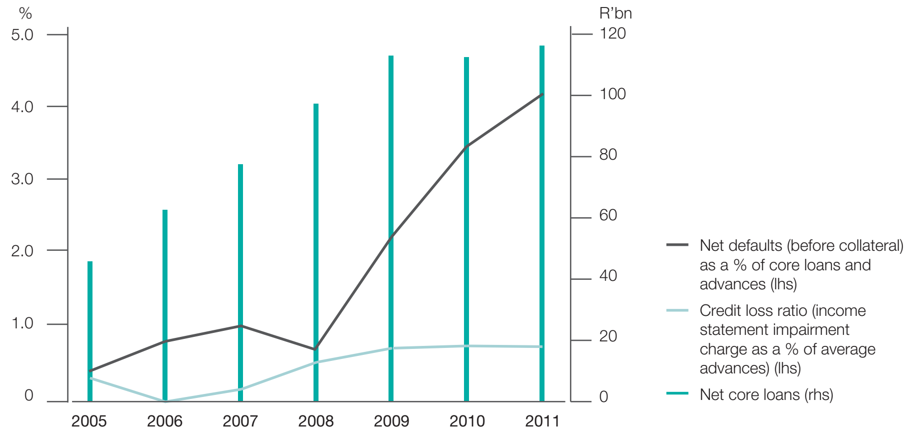
- Credit and counterparty exposures are to a select target market
  - Private Bank lends to high net worth and high income clients
  - Capital Markets transacts primarily with mid to large sized corporates, public sector bodies and institutions
- The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) are fully collateralised
- Credit loss charge remained in line with the prior year at 0.74%
- We believe we are moving through the cycle and expect to see a reduction in impairments during the 2012 financial year.

Results impacted by high levels of impairments and defaults…

Impairments/(recoveries) by business



Defaults and core loans



Sustainability developments during the period

- A strategic review of our sustainability initiatives
- An extensive stakeholder engagement exercise was carried out involving a number of our stakeholders
- An analysis of the risks and opportunities of climate change for our business
- We maintained our presence in the Dow Jones Sustainability Index, the JSE-SRI Index and the FTSE4Good Index
- To coincide with UN World Water Day on 22 March 2011, the South African offices held water awareness campaigns
- Significant development in environmentally responsible technology and energy efficient fittings in a number of our buildings
- Hosted a 'post-Cancun' discussion with leaders in the field of climate change looking at the impact of climate change for business and society at large

Non-financial performance highlights

	31 March 2011	31 March 2010
Social		
Training spend on employees (R'million)	54.9	27.4
Corporate social investment spend (R'million)	38.4	28.0
Environmental		
Carbon emissions per full-time employee (Co_2 metric tonnes)	11.19	12.30
Carbon emissions per m^2 of office space (Co_2 metric tonnes)	0.46	0.50

Remain committed to delivering on our sustainability objectives…

Sustainability is an integral part of who we are, our culture and values, and how we go about doing things. As a distinctive specialist bank and asset manager, driven by commitment to our philosophies and values, our purpose is to create sustained long-term wealth, and to finance and foster entrepreneurs.

Dow Jones Sustainability Indexes Member 2010/11

JSE JOHANNESBURG STOCK EXCHANGE SRI Index

FTSE4Good

Investec strives to be a distinctive specialist bank and asset manager, driven by commitment to its core philosophies and values.

We pursue this strategy through an emphasis on…

The Investec distinction

Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing client relationships
- Distinction lies in our ability to be nimble, flexible and innovative, and to give clients a high level of service.

Specialised and focused strategy

- Not all things to all people
- Serve select market niches as a focused provider of tailored structured solutions
- Strategy is to enhance our existing position in principal businesses and geographies.

Sustainable business model

- Build a sustainable business model by balancing operational risk businesses with financial risk businesses
- Organic growth and select bolt-on acquisitions
- Contain costs and strictly manage risk, capital and liquidity
- Committed to creating value for shareholders.

Depth of leadership and entrepreneurial environment

- Passionate people are key to ensuring distinction
- Integrated international business platform with an effective global management structure demonstrating our depth of leadership
- Focus on developing and empowering people who are committed to the organisation
- Entrepreneurial environment that attracts talented people and encourages creativity and innovation.

Risk awareness entrenched in our culture

- Intimate involvement of senior management underpins effective risk management which is critical to our success
- Culture of risk awareness is embedded into our reward programmes, values and day-to-day activities
- Shareholder and employee interests are aligned, with executives and employees owning approximately 15% of our issued share capital.

Doing the right thing

- Doing the right thing for clients, employees and communities is integral to our way of doing business
- Focus on projects that are educational, entrepreneurial and sustainable.

Continue strategy of building our franchise...realigning the business model

Operational risk businesses	Core advisory and core banking	Financial risk businesses
• Advisory services • Transactional services	Overall objectives: • Containing costs • Maintaining credit quality • Strictly managing risk and liquidity	• Lending portfolios • Principal transactions • Structured transactions • Market making

- We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses
- This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives.

Looking forward

- We will continue to focus on our clients, remaining competitive in core businesses and developing our brand.

Outlook

We are well positioned to benefit from future growth…

- Regulatory uncertainties remain and we will continue to maintain excess levels of liquidity and capital until there is further clarity. However, we expect earnings to benefit from continued momentum in our businesses and the normalising of impairment losses
- We have taken advantage of the dislocation that occurred in financial markets to attract people and extend brand awareness to benefit from steadily improving market activity.

2010/11 proved to be a year of economic recovery for South Africa, with annual growth of 2.8% compared with the recession of the previous year.

The commentary and analysis of the bank's results for the year ended 31 March 2011 provides an overview of our financial performance relative to the bank's results for the year ended 31 March 2010. Further detail on the performance of our business divisions is provided on pages 24 to 26. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the bank going forward.

An overview of the operating environment impacting our business

South Africa

Growth was led by consumption, both household and government, and the recovery was not hampered by higher taxes, reduced government spending or any of the other austerity measures being applied in many advanced economies. Indeed, the private sector is becoming financially healthier: spending on the back of rising real incomes, not excessive credit growth, and an ever growing middle class. However, the fixed investment sector remained in recession as corporates failed to take advantage of rand strength to import capital goods, preferring to wait until the recovery strengthened and proved sustainable. In addition, and despite the health of government finances, public investment in infrastructure stagnated, after contracting sharply in 2009. Job losses continued and corporate demand for credit fell on average, but rising disposable incomes and government's strong spend on social services saw living standards rise, as debt levels eased. This trend in living standards is likely to continue, compensating in part for the small size of the population, in turn supporting growth.

South Africa also saw some considerable achievements in 2010, from being ranked sixth in the world for both soundness and sophistication of its financial markets in the most recent global competitiveness survey, to second on the efficacy of corporate boards and first on both auditing and reporting standards, and the regulation of its securities exchange. Due also to the Reserve Bank's high level of financial market supervision (and the protection provided by the few exchange controls still in place), South Africa's financial system did not experience the same issues as the global financial community – it never had a banking crisis and government borrowing was accordingly unaffected. Consequently, South Africa's fiscal deficit shrunk, from 6.7% of GDP in 2009/10 to 5.0% in 2010/11, as the economy moved from a recession into a recovery phase. South Africa's low level of sovereign debt (close to 30% of GDP last year) means it can comfortably afford to increase borrowings to fund capital investment (both fixed and human) while many advanced economies have cut back on building productive capacity. As a result, South Africa is in a financial sense well structured for growth.

United Kingdom

The UK economy started 2010 on a recovery footing, entering the 2010/11 financial year with recorded growth of 1% and 0.7% in the second and third quarters. A brake to that recovery was applied in the final quarter of 2010 when severe snow impacted on UK GDP, such that the economy contracted by 0.5%. Growth resumed in the first quarter of 2011, registering 0.5%, overturning the previous quarters contraction. A resumption of growth in the first quarter of 2011, largely reversing these losses, is expected. There are a number of factors which are likely to weigh negatively on the UK 2011 growth outlook: the sizable fiscal consolidation, the impact of above 4% inflation on consumer spending, and the impact of a possible increase in UK interest rates. April 2011 marked the start of the more critical move in the government's fiscal tightening plans as the biggest discretionary consolidation of the five year programme came into effect, extracting just over 2% of GDP from the economy. Regarding inflation, CPI inflation stood at 4.0% in March 2011, twice the 2% target. With inflation forecast to remain between 4% and 5% over 2011, the Monetary Policy Committee (MPC) is weighing up the right time to begin raising the UK Bank Rate. The MPC may well begin tightening policy in Q4 this year. Consumer confidence and recent retail sector data remain subdued, implying that the capacity of UK consumers and business to withstand rising interest rates is likely to be limited. Consequently, it is likely that the economy will deliver ongoing, but gradual, expansion over 2011.

Eurozone

Despite financial turbulence in several Euro area economies, the eurozone returned to growth in 2010, recording 1.7% growth, having contracted by 4.1% in 2009. 2010 closed with quarterly growth recorded at 0.3% in Q4. The economy continued to expand in the first quarter of 2011, GDP showing an increase of 0.8%. Despite the ongoing recovery of the eurozone as a whole, growth across countries has been very different, largely reflecting differences in the state of public and private sector balance sheets and the stance of macroeconomic policies. At the top end, Germany expanded by 3.5% over 2010 whereas Greece's economy contracted by 4.5%. These very different outlooks are likely to continue through the course of 2011. The overall eurozone growth rate of 1.7% masks the tough year the eurozone has experienced. Concerns about banking sector losses and fiscal sustainability led to widening sovereign spreads in the 'peripheral' countries, in some cases reaching highs not seen since the launch of the Economic and Monetary Union. During the last financial year, Greece, Ireland and, most recently Portugal, have requested financial assistance from the EU and IMF. Despite the severe economic risks posed by the sovereign debt crises in 'peripheral' countries, the spread of the crises from these countries has so far been relatively contained. The containment of risks, market nerves and market losses has been aided by the creation of a package of stabilisation measures which included the European Financial Stabilisation mechanism and the European Financial Stability Facility, to support the joint EU/IMF programme. However, the downside risks to eurozone growth prospects from the continued peripheral debt crisis are ongoing, particularly given the remaining political hurdles that need to be overcome before an expansion to the existing support package can be signed off. Throughout the last financial year the European Central Bank (ECB) held the refinancing rate at 1%, where it has been since June 2009, although the ECB increased the refinancing rate by 25 basis points to 1.25% in early April 2011. The ECB has also provided enhanced credit support measures, including enhanced liquidity support. The accommodative monetary policy stance looks to have assisted the overall eurozone growth rate over the last year.

Australia

Australia escaped the global recession of recent years, recording only one quarter of contraction in 2008 and growing by 1.3% in 2009 and 2.7% in 2010. On a quarterly basis, the economy expanded by 1.2%, 0.1% and 0.7% in the first three quarters of the 2010/11 financial year. Flooding in key mining and agricultural regions resulted in the economy contracting by 1.2% in Q1 2011. However, this is likely to be offset by stronger private investment in mining and commodity exports, beyond the end of the financial year. Australian growth over the last year has continued to be based on emerging market demand for Australia's commodity exports – nearly 50% of Australia's exports go to the economies of China, Japan and India, all which recorded firm growth in 2010. Over 2010 as a whole Australian exports were up 5.3% on 2009 levels. In Q2 2010 the CPI inflation rate reached 3.1%, just outside the Reserve Bank of Australia's (RBA) 2-3% target range. This led to the RBA tightening monetary policy, raising the headline cash rate from 4.25% in Spring 2010 to 4.75%, the current rate. Despite the RBA tightening, domestic demand has held up firmly, having risen by 4.1% over 2010.

United States

Having contracted by 2.6% in 2009, the US economy bounced back to boast growth of 2.9% in 2010. Following the strong inventory restocking-driven growth in early 2010, economic growth slowed in the mid part of 2010 but strengthened again in the second half of the year, supported by rising consumer spending. In Q4 2010, the economy expanded at a robust 3.1% annualised rate but this slowed to 1.8% in Q1 2011. The unemployment rate has gradually fallen over the year, from 9.8% in April 2010 to 8.8% in March 2011, but at 8.8% the unemployment rate remains elevated. Price pressures remained subdued over the course of the year, with headline inflation having declined to a low of 1.1% during the year, from the 2.2% rate recorded in April 2010. Throughout the financial year the Federal Reserve maintained the Federal Funds target interest rate at the 0-0.25% range, where it has been since the start of 2009. Furthermore, the Federal Reserve embarked on 'QE2' in November 2010, announcing its intention to purchase a further $600 billion of longer term treasury securities by the end of the second quarter of 2011. These added to existing purchases of mortgage-backed securities (RMBS), agency debt and $300 billion of longer term treasuries. This accommodative monetary policy stance has clearly been supportive for US growth over the year. Unlike much of Western Europe, the US has not yet embarked on a programme of fiscal austerity measures, despite the fiscal deficit now projected to reach 10¾% in 2011 and with general government gross debt expected to exceed 110% of GDP by 2016, according to the IMF.

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

	Period ended 31 March 2011	Period ended 31 March 2010	% change	Average over the period: 1 April 2010 to 31 March 2011
Market indicators				
FTSE All share	3 068	2 910	5.4%	3 067
JSE All share	32 204	28 748	12.0%	29 667
Australia All ords	4 929	4 893	0.7%	4 698
S&P 500	1 326	1 169	13.4%	1 184
Nikkei	9 755	11 090	(12.0%)	9 956
Dow Jones	12 320	10 857	13.5%	11 048
Exchange rates				
Rand/Pounds Sterling	10.88	11.11	(2.1%)	11.16
Rand/Dollar	6.77	7.28	(7.0%)	7.19
US Dollar/Euro	1.42	1.35	5.2%	1.32
Euro/Pounds Sterling	1.13	1.12	0.9%	1.17
Australian Dollar/Pounds Sterling	1.55	1.66	(6.6%)	1.65
US Dollar/Pounds Sterling	1.60	1.52	5.3%	1.55
Rates				
UK overnight	0.45%	0.40%		0.49%
UK 10 year	3.69%	3.94%		3.44%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR - 3 month	0.82%	0.65%		0.74%
SA R157 (2015)	7.82%	7.95%		7.60%
Rand overnight	5.23%	6.28%		5.76%
SA prime overdraft rate	9.00%	10.00%		9.54%
JIBAR - 3 month	5.58%	6.67%		6.09%
Reserve Bank of Australia cash target rate	4.75%	4.00%		4.58%
US 10 year	3.47%	3.83%		3.13%
Commodities				
Gold	USD1 432/oz	USD1 113/oz	28.7%	USD1 295/oz
Gas Oil	USD993/mt	USD684/mt	45.2%	USD736/mt
Platinum	USD1 768/oz	USD1 644/oz	7.5%	USD1 669/oz
Macro-economic				
UK GDP (% change over the period)	1.80%	(3.70%)		–
UK per capita GDP	23 362	22 575	3.5%	–
South Africa GDP (% real growth over the calendar year)	3.80%	2.80%		–
South Africa per capita GDP (real value)	36 591	35 997	1.7%	–
Australia GDP (% change over the period)	2.40%	1.70%		–
Per capita GDP (A$)	60 178	56 872	4.5%	–

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

An overview of our key income drivers

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

In addition, our head office provides certain group-wide integrating functions such as risk management, information technology, finance, investor relations, marketing, human resources and organisational development. It is also responsible for our central funding and other activities, such as our Trade Finance operations.

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

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

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
Capital Markets			
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients' capital and infrastructural investments • Client activity	• Net interest income • Principal transactions • Other operating income
	• Structuring, management and distribution	• Rate environment • Ability to originate appropriate assets • Credit spreads • Clients' capital and infrastructural investments • Market conditions in the relevant exit markets	• Fees and commissions • Principal transactions
	• Derivative, sales, trading and hedging	• Client activity • Market conditions • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Principal transactions • Fees and commissions
	• Deposit and product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by among other things, the performance of the global markets and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products • Regulatory requirements	• Net interest income • Principal transactions • Fees and commissions
	• Advisory	• The demand for our specialised advisory services, which, in turn is affected by applicable tax, regulatory and other economic factors e.g. project activity in the relevant markets	• Fees and commissions
Group Services and Other Activities			
International Trade Finance Central Funding	• These businesses earn a variety of management and banking fees, brokerage commissions • As this division holds the group's capital resources, income generated from these net assets is offset by the cost of group funding	• A variety of factors including: Interest rate environment • Rand/Dollar exchange rate in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from assurance activities

Risks relating to our operations

An overview of key risks

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

These risks are summarised briefly in the table below with further detail provided in the risk management section of this report. For additional information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Reference
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 32 to 58
Liquidity risk may impair our ability to fund our operations	See pages 71 to 77
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 68 to 70
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 63 to 66
We may be unable to recruit, retain and motivate key personnel	See the Investec group's 2011 integrated annual report
Employee misconduct could cause harm that is difficult to detect	See pages 77 to 81
Operational risk may disrupt our business or result in regulatory action	See pages 77 to 81
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 77 to 81
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 83 to 89
The financial services industry in which we operate is intensely competitive	See pages 16 to 18
Legal and regulatory risks are substantial in our businesses	See page 82
Reputational, strategic and business risk	See page 82

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business, financial condition or results of operations could be adversely affected by any of these risk factors.

Overview

The bank posted an increase in headline earnings attributable to ordinary shareholders of 18.8% to R2 191 million (2010: R1 845 million). The balance sheet remains strong with a capital adequacy ratio of 15.6% (2010:15.5%).

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2010.

Income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances of R6 447 million is 1.0% higher than the prior year. The various components of total operating income are analysed below.

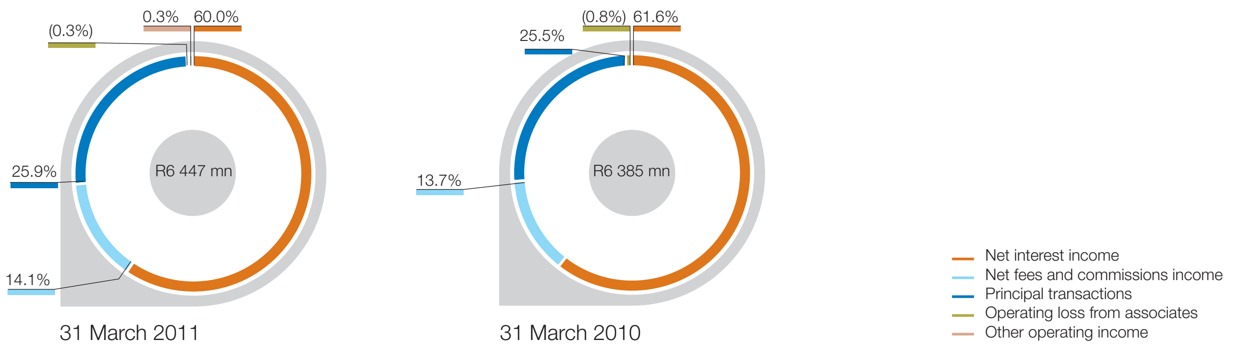
R'million	31 March 2011	% of total income	31 March 2010	% of total income	% change
Net interest income	3 870	60.0%	3 931	61.6%	(1.6%)
Other income	2 577	40.0%	2 454	38.4%	5.0%
Net fee and commission income	909	14.1%	872	13.7%	4.2%
Principal transactions	1 670	25.9%	1 629	25.5%	2.5%
Operating loss from associates	(17)	(0.3%)	(47)	(0.8%)	63.8%
Other operating income	15	0.3%	–	–	100.0%
Total operating income before impairment losses on loans and advances	6 447	100.0%	6 385	100.0%	1.0%

Financial review (continued)

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

R'million	31 March 2011	% of total income	31 March 2010	% of total income	% change
Private Banking	2 499	38.8%	2 167	33.9%	15.3%
Investment Banking	1 064	16.5%	781	12.2%	36.2%
Capital Markets	2 068	32.0%	1 918	30.0%	7.8%
Group services and Other Activities	816	12.7%	1 519	23.8%	(46.3%)
Total operating income before impairment losses on loans and advances	6 447	100.0%	6 385	100.0%	1.0%

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



Net interest income

Net interest income decreased by 1.6% to R3 870 million (2010: R3 931 million) largely as a result of a lower return generated on excess capital and liquidity held given the lower rate environment. The Private Bank however, did benefit from improved margins.

Net fee and commission income

Net fee and commission income increased by 4.2% to R909 million (2010: R872 million). Transactional activity remains mixed and below historic trends.

Principal transactions

Income from principal transactions increased by 2.5% to R1 670 million (2010: R1 629 million). The bank benefited from a solid performance from the investment banking and fixed income portfolios. This was offset by a weaker performance from some of the equity investments held within the central funding portfolio and lower foreign currency gains.

Impairment losses on loans and advances

The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase. Impairment losses on loans and advances remained largely in line with the prior year at R852 million. The credit loss charge as a percentage of average gross loans and advances is 0.74% (2010: 0.75%). The percentage of default loans (net of impairments but before taking collateral into account) to net core loans and advances has increased from 3.42% to 4.13%. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.49 times (2010: 1.54 times). Further information on asset quality is provided on pages 47 to 55.

Total expenses

The ratio of total operating expenses to total operating income increased from 47.0% to 49.3%.

Total expenses increased by 6.0% to R3 181 million (2010: R3 001 million). Total headcount is being closely monitored and expense growth (excluding variable remuneration) is targeted below the inflation rate. Total staff compensation costs increased by 7.4% to R2 070 million (2010: R1 928 million), resulting in a compensation ratio of 32.1% (2010: 30.2%). Other operating expenses have increased 3.5% to R1 111 million (2010: R1 073 million).

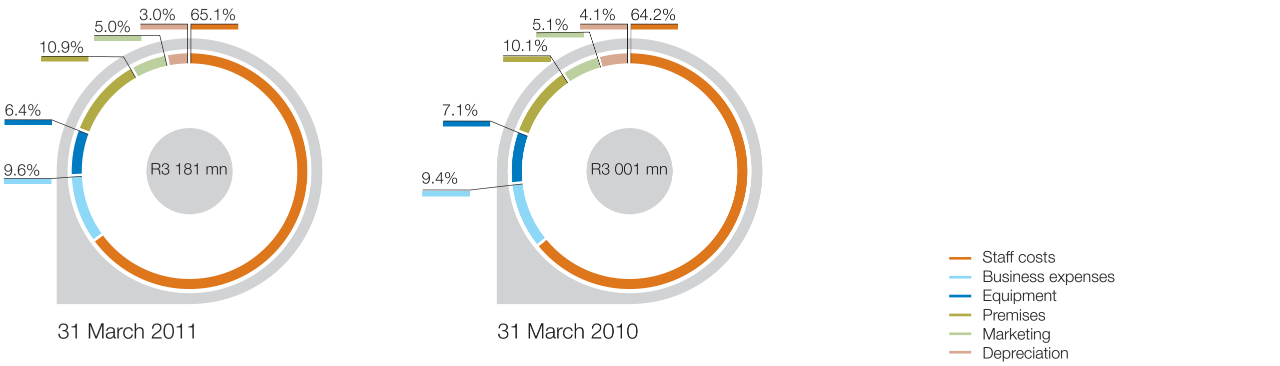
The various components of total expenses are analysed below.

R'million	31 March 2011	% of total expenses	31 March 2010	% of total expenses	% change
Staff costs (including directors' remuneration)	(2 070)	65.1%	(1 928)	64.2%	7.4%
Business expenses	(305)	9.6%	(283)	9.4%	7.8%
Equipment (excluding depreciation)	(203)	6.4%	(213)	7.1%	(4.7%)
Premises (excluding depreciation)	(349)	10.9%	(302)	10.1%	15.6%
Marketing expenses	(159)	5.0%	(153)	5.1%	3.9%
Depreciation	(95)	3.0%	(122)	4.1%	(22.1%)
Total expenses	(3 181)	100.0%	(3 001)	100.0%	6.0%

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

R'million	31 March 2011	% of total expenses	31 March 2010	% of total expenses	% change
Private Banking	(1 412)	44.4%	(1 339)	44.6%	5.5%
Investment Banking	(276)	8.7%	(219)	7.3%	26.0%
Capital Markets	(1 003)	31.5%	(967)	32.2%	3.7%
Group services and Other Activities	(490)	15.4%	(476)	15.9%	2.9%
Total expenses	(3 181)	100.0%	(3 001)	100.0%	6.0%

% of total expenses



Taxation

The effective tax rate decreased due to the resolution of matters for which a provision was previously held.

Balance sheet analysis

Since 31 March 2010:

- Total shareholders' equity (including non-controlling interests) increased by 14.5% to R18.8 billion largely as a result of retained earnings and the issue of shares
- Total assets increased by 12.0% to R221.6 billion largely as a result of increased cash holdings and an increase in our fixed income portfolio.

Business unit review

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

Segmental information

For the year to 31 March R'million	PB	IB	CM	GSO	Total group
2011					
Operating income (post impairments)	1 459	1 067	2 222	847	5 595
Operating expenses	(1 412)	(276)	(1 003)	(490)	(3 181)
Operating profit before taxation	47	791	1 219	357	2 414
Cost to income ratio	56.5%	25.9%	48.5%	60.0%	49.3%
2010					
Operating income (post impairments)	1 675	752	1 805	1 295	5 527
Operating expenses	(1 339)	(219)	(967)	(476)	(3 001)
Operating profit before taxation	336	533	838	819	2 526
Cost to income ratio	61.8%	28.0%	50.4%	31.3%	47.0%

Where: PB = Private Banking; IB = Investment Banking; CM = Capital Markets; GSO = Group Services and Other Activities

Private Banking

Overview of performance

Private Banking posted a decrease in operating profit of 86.0% to R47 million (2010: R336 million) largely as a result of low activity levels and increased impairments. The private client core lending book grew by 4.2% from R79.6 billion to R83.0 billion and the deposit book grew by 9.6% from R51.2 billion to R56.1 billion.

Developments

- The Private Bank continues to be active in the raising of retail deposits. However, growth was muted due to the lack of support for cash as an asset class and the low interest rate environment
- Lending activity levels have improved compared with the previous year. Due to significant growth in repayments, overall asset growth was subdued
- Revaluations and realisations of equity stakes and profit shares contributed significantly to operating income
- The economic environment remains subdued and contributed to an increase in impairments, while also delaying the exit of some of the larger non-performing transactions. Exit opportunities on residential leisure developments in particular are very limited at present
- In line with the strategy to consolidate the Wealth and Investment business within Investec, the Private Bank Wealth Management business was integrated into this pillar from 1 April 2010
- A renewed focus on core banking activities is currently in progress, aiming to improve the offering and client experience to target market individuals.

Outlook

The Private Bank is cautiously optimistic as we anticipate a gradual economic recovery. The past six months have shown an increase in activity as our entrepreneurial private clients' risk appetite returns. Given the gradual recovery and uplift in activity we expect impairments to decrease.

- Key objectives for the forthcoming period are:
  - Restoration of profitability largely due to improved activity levels in both lending and funding activities and an anticipated reduction in impairments
  - Growing our client base within our key target markets
  - Reduce the risk profile through increased focus on lower risk lending activities
  - Increase in annuity income through a focus on banking activities and transactional activities
  - Diversifying deposit base
  - Balance cost containment with investment for the future.

Investment Banking

Overview of performance

Operating profit of Investment Banking increased by 48.4% to R791 million (2010: R533 million). The investments held within the Principal Investments portfolio generated a solid performance. Corporate Finance performed well, posting a strong increase in net fees and commissions earned.

Developments

Corporate Finance

- We have maintained our strong positioning
- Our focus was on local and cross-border M&A, capital raisings and restructuring transactions
- We retained our major clients and gained several new mandates during the period
- Numerous new mandates were entered into, however, it remains difficult to close deals given current market conditions
- The total value of corporate finance transactions increased to R76.9 billion (2010: R26.8 billion) during the period and the number of transactions increased to 60 (2010: 56)
- Sponsor broker deals completed during the period decreased to 74 (2010: 82) with the value increasing to R91.5 billion (2010: R46.7 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and second in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2010 calendar year). This is the seventh year that we have been ranked first in volume of listed M&A transactions
- The Sponsor division was ranked second in volume of M&A transactions and second in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2010 calendar year). The Sponsor division has been ranked in the top 2 in M&A transactions and general corporate finance by volume for the past eight years.

Principal Investments

- The total South African Direct Investments portfolio increased to R2 511 million at 31 March 2011 (March 2010: R1 587 million). The increase in value was primarily due to a good performance from the portfolio
- The total South African Private Equity portfolio was R3 838 million at 31 March 2011 (March 2010: R3 301 million). We continued to expand the capacity of our private equity investments through the acquisition of two new private equity assets as well as large capital projects and expenditure within the portfolio. The benefits of these activities will only be felt in future financial years. The increase in value in the current year was driven by a good performance of the underlying investments and acquisitions mentioned.

Outlook

Corporate Finance

- The deal pipeline in this business remains reasonable.

Principal Investments

- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building BEE platforms
- The majority of companies in our Private Equity portfolio are trading profitably in very difficult market conditions and the overall outlook remains positive for future growth.

Capital Markets

Overview of performance

Capital Markets posted an increase in operating profit of 45.5% to R1 219 million (2010: R838 million) benefiting from a recovery in loans previously impaired. Corporate activity levels, however, remain depressed and the division's lending book decreased 3.4% to R27.8 billion (2010: R28.8 billion).

Developments

- The corporate market continues to remain weak with low levels of activity leading to depressed lending activity and consequently, lower hedging activity. We have however, seen an increase in pipeline in our lending businesses
- Significant surplus liquidity levels were maintained during the year and we continue to be a provider of liquidity to the South African interbank market. Our surplus liquidity has had a negative effect on our margin for the period
- We grew our portfolio of highly rated yield enhancing fixed income investments as opportunities presented themselves.

Outlook

- Our business is well positioned to grow significantly with a recovery in the South African market and levels of fixed direct investment improving
- We continue to build and grow sustainable businesses on the back of client driven transactional flow in derivatives and financial markets
- We will grow our portfolio of highly rated yield enhancing fixed income investments as opportunities present themselves
- The margin line is expected to improve over the coming months as the cost of funding reduces
- We continue to be a net provider of liquidity to the interbank market
- We anticipate that trading and structuring opportunities will improve as the markets move into an upward interest rate cycle

Group Services and Other Activities

Overview of performance

Operating profit from Group Services and Other Activities decreased by 56.4% from R819 million to R357 million largely as a result of a lower return generated on cash balances and certain equity investments held within the Central Funding portfolio and lower foreign currency gains.

4

Risk management and corporate governance

Risk management

Group Risk Management objectives are to:

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

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1: Presentation of Financial Statements (IAS 1) are included within this section of the annual report (pages 28 to 90) with further disclosures provided within the financial statements section (pages 118 to 187). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The bank recognises that an effective risk management function is fundamental to sustainability of its business. Taking international best practice into account, our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

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

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

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

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

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 16 to 18.

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

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised economic value added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have however, continued to experience an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio decreased marginally to 0.74% of gross loans and advances. The group expects this ratio to decrease further in the forthcoming financial year
- Limited exposure to rated and unrated structured credit investments; representing approximately 1.5% of total assets
- A low leverage (gearing) ratio of 11.4 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with 'level 3' assets amounting to 0.06% of total assets

- Low equity (investment) risk exposure; within total investments comprising 3.1% of total assets
- Modest proprietary market risk within our trading portfolio; value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.2% of total operating income
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately R56 billion, representing 25% to 35% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- A continued increase in retail customer deposits and a growing retail franchise
- 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 year
- Operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Investec has continued to maintain a sound balance sheet with low leverage.

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 39 and 40, page 66 and page 70), with a high level summary of the most salient aspects provided below.

Credit risk

Credit quality on gross core loans and advances deteriorated in the first three quarters, with a slowdown in the fourth quarter of the financial year in review. Core loans and advances increased by 2.8% to R115.4 billion. Default loans (net of impairments) as a percentage of core loans and advances increased from 3.42% to 4.13%. The majority of defaults were recorded in the Private Bank division. These defaults largely comprise a relatively small number of clients where finance was provided at reasonably conservative loan to values but with no obvious serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay.

The Capital Markets division reported no material defaults for the current financial year and benefited from a recovery on a provision raised in prior years.

Traded market risk

Trading conditions in South Africa remained difficult, as client flow failed to pick up much over the year. Risk assumed in the trading businesses continues to be low and has in some cases been even lower than last year. Investec remains committed to trading on client flow as opposed to proprietary trading. Despite the difficult trading conditions all trading desks recorded a profit.

Balance sheet risk

The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 7.9% from 1 April 2010 to R154.8 billion at 31 March 2011 (Private Bank deposits amount to R56.1 billion and other retail deposits amount to R98.7 billion). Cash and near cash balances increased by 9.6% from 1 April 2010 to R52.6 billion at 31 March 2011, with excess reserves placed in highly liquid treasury bills and government bonds. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totaling R1.5 billion.

Salient features

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

	31 March 2011	31 March 2010
Net core loans and advances (million)	R115 373	R112 263
Gross defaults as a % of gross core loans and advances	5.26%	4.08%
Defaults (net of impairments) as a % of net core loans and advances	4.13%	3.42%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.74%	0.75%
Structured credit investments as a % of total assets	1.39%	1.70%
Banking book investment and equity risk exposures as a % of total assets	3.12%	3.23%
Traded market risk: one-day value at risk (million)	1.7	2.5
Cash and near cash (million)	R52 591	R47 986
Customer accounts (deposits) (million)	R154 772	R143 390
Core loans to equity ratio	6.2	6.8
Total gearing/leverage ratio**	11.4x	11.7x
Core loans (excluding own originated assets which have been securitised) to customer deposits**	73.9%	77.3%
Capital adequacy ratio	15.6%	15.5%
Tier 1 ratio	11.5%	11.7%

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

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

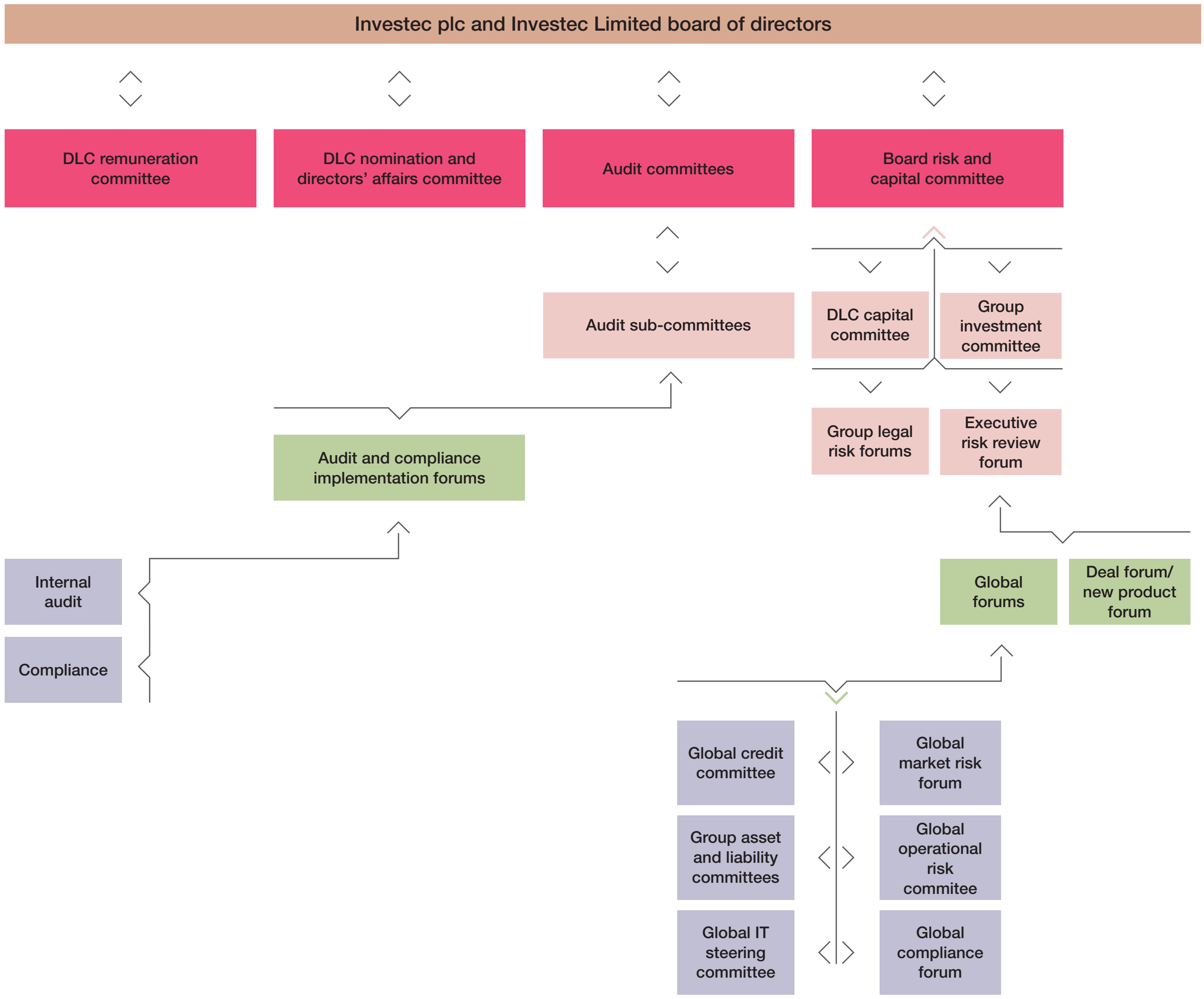
An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 21. The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business, financial condition or results of operations could be adversely affected by any of these risk factors.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level. These committees and forums operate together with group Risk management and are mandated by the board. A diagram of our governance and risk framework is provided below.



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

BRCC	Board risk and capital committee
ERRF	Executive risk review forum
FSA	Financial services authority
SARB	South African Reserve Bank

Credit and counterparty risk management

Credit and counterparty risk description Audited

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

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

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

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

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

Credit and counterparty risk governance structure Audited

To manage measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision making forums. It is our policy that all centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the group credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans within the Private Bank division.

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse, and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

Credit and counterparty risk appetite

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to pages 56 to 58 for further information).

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

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands on' and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to pages 59 and 60 for further information).

Sustainability considerations

Credit risk committees engage in quantitative and qualitative risk assessments as part of the responsible lending approach to doing business. Sustainability aspects form the cornerstone of the evaluation conducted by the credit committees. In addition to the traditional financial review, evaluations encompass a review of a client's business model, governance, environmental practices and social impact of the business.

Pricing is motivated by the relevant business unit on a transaction by transaction basis, with consideration given to the manner of origination of the asset and the forward strategy for the asset, capital usage and liquidity. Pricing recommendations are discussed and agreed at the appropriate credit committee to ensure that reward is appropriate to the risk and that pricing is not compromised in the pursuit of volume or relationship. As a consequence of market behaviour, pricing for similar risk may differ from time to time.

Group Risk Management strives to maintain independence and objectivity in risk assessment and to give proactive input to lending transactions on a sustainable basis. For example, with respect to mining transactions, Group Risk Management not only routinely requires environmental impact assessments or rehabilitation plans, but also relies on support from leading specialist mining consultants to ensure the highest level of international compliance. We focus on ensuring ongoing compliance with standards as they evolve. We acknowledge that waste management and recycling transactions (i.e. 'green' investment) is increasing and requires a specialised understanding of the risk factors, both due to their technical nature and the lack of a single, recognised standard. This does present a new challenge to group Risk Management, as a sophisticated understanding of the more complex technical aspects of environmental compliance is necessary. We do support key provisions of the Equator principles but we are not a signatory.

Management and measurement of credit and counterparty risk Audited

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of all related risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty, and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents and implemented by our group credit division.

Despite strict adherence to the above principles increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility, and weak economic conditions.

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

A large proportion of the portfolio is not rated by external rating agencies. As a result we mainly place reliance upon internal considerations of counterparties and borrowers, and use ratings prepared externally where available as support. Within the credit approval process all available internal and external ratings are included in the assessment of the client quality.

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as a means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in project finance, private bank property related transactions, corporate, bank and financial institutions areas of operation. We remain focused on developing our models in the light of our idiosyncratic risk profile and against extreme downturn events.

Fitch, Standard and Poor's and Moody's have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's and Standard & Poors have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and Standard & Poors are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

Credit and counterparty risk in South Africa

Credit and counterparty risk is assumed mainly through the Private Bank, Capital Markets, and Asset Finance (ReichmansCapital) divisions.

Private Banking

Lending products are primarily offered through our structured property finance, private client lending, specialised lending and growth and acquisition finance activities, and are targeted to meet the requirements of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been defined to include high net worth clients (who through diversification of income streams will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle.

A large portion of the lending portfolio is supported by residential and commercial property collateral. Exposure to commercial and retail properties was originally approved at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants. Collateral exposure to the South African property market is regionally diversified (primarily Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth). Serviceability of a loan advanced against property (and not only asset value) and quality of the client are primary considerations in the credit assessment process.

An analysis of the Private Banking loan portfolio and asset quality information is provided on page 55.

Capital Markets

Investec Corporate Treasury provides money market, interest rate and foreign exchange products to corporates and institutions. We are an active market maker in the spot and forward US Dollar/Rand interbank markets. Trading transactions giving rise to issuer, settlement and replacement risk were among the primary areas of potential credit and counterparty risk in the year under review. Simulation based methodologies have been implemented for the majority of the Corporate Treasury product offering, the benefit of which is the identification of increases in exposures as a result of changes in volatility and prices and the identification of roll-off risk.

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

The Specialised Finance, Project Finance and Resource Finance businesses lend money on a structured basis to corporates, government and institutions, with full recourse to either a suitable asset or to the balance sheet of the entity to which the funds are advanced. Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Credit limits are set for each counterparty and monitored to ensure risk is mitigated. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security, cash flow and, in the case of trading products, the nature of the underlying security traded.

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Political risk insurance is taken to ensure political risks are well managed. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II), since recourse in the event of default will be to the total assets of the corporate and not merely the resource project being financed.

Due to the relative illiquidity of the credit derivative market in South Africa, counterparty exposures and mitigation benefits obtained as a result of credit derivative transactions are negligible.

An analysis of the Capital Markets loan portfolio and asset quality information is provided on page 55.

Reichmans Capital

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

Credit and counterparty risk in Mauritius

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

Asset quality analysis – credit risk classification and provisioning policy

Audited

It is a policy requirement overseen by central credit management that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the watchlist committee policy and process. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 47). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the ‘International Convergence of Capital Measurement and Capital Standards’ Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a “loss trigger event” has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

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

<table>
<tr><th>Regulatory and internal capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="2">Performing assets</td><td rowspan="2"> For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred. </td><td>Past due</td><td>An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.</td></tr>
<tr><td>Special mention</td><td> The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfill their credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: Covenant breaches;
There is a slowdown in the counterparty's business activity;
An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or
Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories: Credit exposures overdue 1 – 60 days
Credit exposures overdue 61 – 90 days.</td></tr>
</table>

Regulatory and internal capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in substandard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.

Credit risk mitigation Audited

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

The bulk of collateral taken by the Private Bank, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, the value of residential and commercial real estate remained under pressure with low/static growth. Residential and commercial property valuations will continue to form part of our increased focus on collateral assessment.

It is our policy to obtain a formal valuation, performed by an approved valuer of every commercial property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all commercial properties held as collateral on a regular basis, at the discretion of the credit committee. Residential properties are valued by a combination of computer aided valuation (CAV) and approved valuers, if applicable. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios.

The majority of credit mitigation within our treasury activities is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where netting agreements have been signed and the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements should be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists; and
- There is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty;
- Debit and credit balances are denominated in the same currency and have identical maturities;
- Exposures subject to set-off are risk managed on a net basis; and
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these financial statements but reported on a gross basis to regulators.

An analysis of collateral is provided on pages 56 to 58.

Credit and counterparty risk year in review

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

- The slow to moderate recovery of the domestic economy from the global financial crisis as a result of
  - Increased discretionary spending, although marginal in a low interest rate environment, accompanied by the existing debt burden on consumers;
  - Inflationary pressures as a result of oil and utility price increases;
  - Limited investment by corporates due to economic uncertainty throughout the 2010 calendar year with increased lending to the corporate sector in the first quarter of 2011;
  - Infrastructure spending by government a key driver of local economic growth in the financial year in review;
  - The European sovereign debt crisis and contagion fears;
  - Secondary economic effects as a result of the conflict in the North African, Middle East and Arabian regions and the natural disaster in Japan; and
  - Continuation of the appreciation in the value of the Rand against the US dollar, Pound and Euro.
- Market volatility continued in the first two quarters of the financial year under review, with strong growth in the third and fourth quarters with the JSE reflecting overall growth of 12% year on year improving to levels last seen before the start of the 2008 crisis
- The property market remains under pressure with low or static growth across the residential and commercial property markets.

We are conscious of the effect of the low or static growth in the property market (both global and local) and the impact on our portfolio secured by property. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Before the start of the global financial crisis, as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

Lower levels of volatility relative to the 2010 financial year have resulted in lower profitability levels and exposure for the majority of our trading divisions with the exception of the Interest Rate Trading division which benefited from the multiple rate cuts during the financial year in review.

For both interest rate and foreign exchange rate products simulation methodologies are employed which enable us to identify more accurately the level of potential exposures to counterparties for these trading activities. The methodologies recognise volume of trading, volatility of products traded, deal tenor and credit mitigants in deriving granular counterparty exposure profiles (and, in so doing, allow for roll-off risk assessments).

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

For assets written during the current year there has been adherence to lower loan to value lending and a continuation of downward pricing pressures.

We continue to work with customers who have experienced financial difficulty to arrive at an optimal solution for the client and the bank, which for example has included applying for change of use for certain property related transactions and extensions of time for properties that have continued to service their debt obligations.

Credit quality on gross core loans and advances deteriorated in the first three quarters, with a slowdown in the fourth quarter of the financial year in review. Core loans and advances increased by 2.8% to R115.4 billion. Default loans (net of impairments) as a percentage of core loans and advances increased from 3.42% to 4.13%. The credit loss ratio has decreased from 0.75% to 0.74%. The majority of defaults were recorded in the Private Bank and largely comprise a relatively small number of clients where finance was provided at reasonably conservative loan to values but with no obvious serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay.

The Capital Markets division reported no material defaults for the current financial year and benefited from a recovery on a provision revised in prior years.

A lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for our clients and ourselves. However, managing certain of the larger defaulted property developments in order to maximise recoveries may take longer than originally anticipated.

Credit risk - regulatory considerations

In January 2011, Investec implemented the enhancements in respect of credit risk in the Basel II framework as recommended by the Basel Committee on Banking Supervision (BCBS) and as stipulated by the SARB. These amendments relate specifically to the amount of credit risk capital required when providing liquidity facilities to securitisation vehicles, as well as when holding re-securitisation exposures. Since these activities constitute less than 1% of total gross credit exposure, the impact on required capital for the group is immaterial.

In addition, in enhancing risk coverage, the Basel committee expects banks to hold capital for the deterioration in credit quality of its counterparties in its over the counter (OTC) trading portfolios. This is more commonly referred to as credit valuation adjustments (CVA).

The market is still awaiting further clarity on the exact form of the CVA change. In many cases, the amendments will follow a phased approach with implementation beginning 2013. Investec will continue to engage with the regulator and seek to adopt market best practice in accordance with these regulatory amendments.

Credit and counterparty risk information

Pages 32 to 40 describes where and how credit risk is assumed in our operations. The tables that follow provide an analysis of the our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 12.8% to R237.8 billion largely as a result of a 9.6% increase in cash and near cash balances over the period to R52.6 billion and an increase in the fixed income portfolio. Cash and near cash balances are largely reflected in the following line items in the table below: debt instruments; bank placements and sovereign, government placements. Core loans and advances increased marginally.

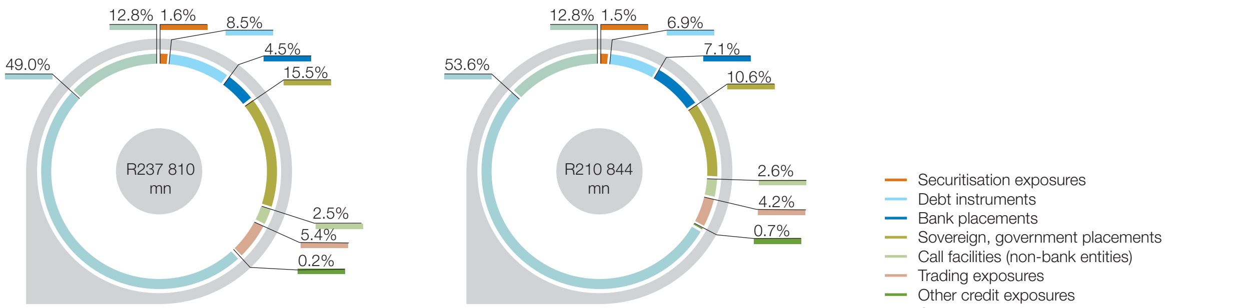
Audited R'million	31 March 2011	31 March 2010	% change	Average*
On-balance sheet exposures	207 489	184 027	12.7%	195 762
Securitisation exposures arising from securitisation/principal finance activities	3 930	3 204	22.7%	3 568
Rated instruments	2 774	1 794	54.6%	2 284
Unrated instruments	296	287	3.1%	292
Other	860	1 123	(23.4%)	992
Debt instruments – non sovereign (NCDs, bonds held, debentures)	20 318	14 631	38.9%	17 475
Bank placements	10 703	14 966	(28.5%)	12 835
Sovereign, government placements	36 778	22 285	65.0%	29 532
Call facilities (non-bank entities)	5 829	5 573	4.6%	5 701
Trading exposures (positive fair value excluding potential future exposures)	12 728	8 929	42.5%	10 829
Other credit exposures	448	1 399	(68.0%)	924
Gross core loans and advances to customers**	116 755	113 040	3.3%	114 898
Off-balance sheet exposures	30 321	26 817	13.1%	28 569
Guarantees^	6 304	4 163	51.3%	5 231
Contingent liabilities, committed facilities, other	24 017	22 654	6.0%	23 338
Total gross credit and counterparty exposures pre collateral or other credit enhancements	237 810	210 844	12.8%	224 331

* *Where the average is based on a straight line average.*

** *As calculated on page 47.*

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

An analysis of gross credit and counterparty exposures



31 March 2011 31 March 2010

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

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

Audited R'million	Securitisation exposures arising from securitisation/principal finance activities Total	Rated instruments	Unrated instruments	Other	Debt instruments non sovereign (NCDs, bonds held, debentures)
As at 31 March 2011					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	1 149
Trading securities	125	75	50	–	10 971
Derivative financial instruments	–	–	–	–	–
Investment securities	2 945	2 699	246	–	8 198
Loans and advances to customers	860	–	–	860	–
Securitised assets	–	–	–	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Intangible assets	–	–	–	–	–
Intergroup	–	–	–	–	–
Total	3 930	2 774	296	860	20 318
As at 31 March 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	1 326
Trading securities	134	–	134	–	12 068
Derivative financial instruments	–	–	–	–	–
Investment securities	1 869	1 794	75	–	1 237
Loans and advances to customers	1 110	–	23	1 087	–
Securitised assets	91	–	55	36	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Intangible assets	–	–	–	–	–
Intergroup	–	–	–	–	–
Total	3 204	1 794	287	1 123	14 631

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 61 and 62.*
2. *Largely relates to impairments.*
3. *Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures to the bank.*

	Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
	46	6 767	–	–	–	–	6 813	–		6 813
	4 702	–	–	216	–	–	4 918	–		4 918
	–	–	5 829	–	–	–	5 829	–		5 829
	5 955	424	–	629	–	–	8 157	–		8 157
	–	26 846	–	623	–	–	38 565	5 787	1	44 352
	–	–	–	10 983	–	–	10 983	504	1	11 487
	–	2 741	–	–	325	–	14 209	5		14 214
	–	–	–	–	–	115 818	116 678	(1 455)	2	115 223
	–	–	–	–	–	937	937	1 239	3	2 176
	–	–	–	–	–	–	–	42		42
	–	–	–	277	123	–	400	581		981
	–	–	–	–	–	–	–	135		135
	–	–	–	–	–	–	–	286		286
	–	–	–	–	–	–	–	5		5
	–	–	–	–	–	–	–	108		108
	–	–	–	–	–	–	–	6 836		6 836
	10 703	36 778	5 829	12 728	448	116 755	207 489	14 073		221 562
	43	3 617	–	–	–	–	3 660	–		3 660
	12 942	–	–	301	2	–	13 245	–		13 245
	–	–	5 573	–	882	–	6 455	–		6 455
	1 977	–	–	473	–	–	3 776	–		3 776
	–	18 668	–	624	–	–	31 494	4 881	1	36 375
	–	–	–	7 379	–	–	7 379	450	1	7 829
	–	–	–	–	471	–	3 577	28		3 605
	–	–	–	–	–	111 667	112 777	(858)	2	111 919
	–	–	–	–	–	1 373	1 464	2 067	3	3 531
	–	–	–	–	–	–	–	22		22
	4	–	–	152	44	–	200	724		924
	–	–	–	–	–	–	–	180		180
	–	–	–	–	–	–	–	164		164
	–	–	–	–	–	–	–	5		5
	–	–	–	–	–	–	–	96		96
	–	–	–	–	–	–	–	6 093		6 093
	14 966	22 285	5 573	8 929	1 399	113 040	184 027	13 852		197 879

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2011					
On-balance sheet exposures	84 465	611	1 075	37 577	1 973
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	–	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	36 778	–
Call facilities (non-bank entities)	–	101	–	–	326
Trading exposures (positive fair value excluding potential future exposures)	91	1	166	–	68
Other credit exposures	325	–	–	–	15
Gross core loans and advances to customers	*84 049	509	909	799	1 564
Off-balance sheet exposures	22 475	100	17	–	138
Guarantees	4 073	–	17	–	62
Contingent liabilities, committed facilities, other	18 402	100	–	–	76
Total gross credit and counterparty exposures pre collateral or other credit enhancements	106 940	711	1 092	37 577	2 111
As at 31 March 2010					
On-balance sheet exposures	80 696	438	1 174	23 885	1 536
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	230	–	–
Bank placements	–		–	–	–
Sovereign, government placements	–	–	–	22 285	–
Call facilities (non-bank entities)	–	50	–	–	336
Trading exposures (positive fair value excluding potential future exposures)	192	10	222	–	338
Other credit exposures	472	–	–	1	–
Gross core loans and advances to customers	*80 032	378	722	1 599	862
Off-balance sheet exposures	20 056	–	18	–	53
Guarantees	2 745	–	18	–	53
Contingent liabilities, committed facilities, other	17 311	–	–	–	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	100 752	438	1 192	23 885	1 589

* *A further analysis of our Private Banking loan book is provided on page 55.*

Finance and insurance (including central banks)	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
57 995	3 913	7 632	4 275	2 007	1 921	4 045	207 489
3 930	–	–	–	–	–	–	3 930
2 774	–	–	–	–	–	–	2 774
296	–	–	–	–	–	–	296
860	–	–	–	–	–	–	860
20 318	–	–	–	–	–	–	20 318
10 703	–	–	–	–	–	–	10 703
–	–	–	–	–	–	–	36 778
1 680	1 632	1 689	–	244	–	157	5 829
10 611	498	66	954	35	28	210	12 728
49	9	18	7	17	8	–	448
10 704	1 774	5 859	3 314	1 711	1 885	3 678	116 755
3 879	74	437	103	2 331	158	609	30 321
958	3	220	68	891	7	5	6 304
2 921	71	217	35	1 440	151	604	24 017
61 874	3 987	8 069	4 378	4 338	2 079	4 654	237 810
51 246	3 533	8 973	3 373	1 546	1 935	5 692	184 027
3 113	91	–	–	–	–	–	3 204
1 794	–	–	–	–	–	–	1 794
232	55	–	–	–	–	–	287
1 087	36	–	–	–	–	–	1 123
14 350	–	–	–	–	–	51	14 631
14 966	–	–	–	–	–	–	14 966
–	–	–	–	–	–	–	22 285
1 462	1 224	1 804	–	259	–	438	5 573
6 524	660	206	510	34	44	189	8 929
883	3	26	–	14	–	–	1 399
9 948	1 555	6 937	2 863	1 239	1 891	5 014	113 040
4 333	83	325	8	1 015	309	617	26 817
987	–	211	–	147	–	2	4 163
3 346	83	114	8	868	309	615	22 654
55 579	3 616	9 298	3 381	2 561	2 244	6 309	210 844

Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 72% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A description of the type of lending we undertake within the Private Bank is provided on page 34, and a more detailed analysis of the Private Banking loan portfolio is provided on page 55. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A description of the type of lending we undertake within the Capital Markets division is provided on page 34, and a more detailed analysis of the Capital Markets loan portfolio is provided on page 55.

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.

Breakdown of gross credit exposure by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
HNW and professional individuals	84 049	80 032	22 891	20 720	106 940	100 752
Agriculture	509	378	202	60	711	438
Electricity, gas and water(utility services)	909	722	183	470	1 092	1 192
Public and non-business services	799	1 599	36 778	22 286	37 577	23 885
Business services	1 564	862	547	727	2 111	1 589
Finance and insurance (including central banks)	10 704	9 948	51 170	45 631	61 874	55 579
Retailers and wholesalers	1 774	1 555	2 213	2 061	3 987	3 616
Manufacturing and commerce	5 859	6 937	2 210	2 361	8 069	9 298
Real estate	3 314	2 863	1 064	518	4 378	3 381
Mining and resources	1 711	1 239	2 627	1 322	4 338	2 561
Leisure, entertainment and tourism	1 885	1 891	194	353	2 079	2 244
Transport and communication	3 678	5 014	976	1 295	4 654	6 309
Total	116 755	113 040	121 055	97 804	237 810	210 844

Gross credit and counterparty exposures by residual contractual maturity as at 31 March 2011

R'million	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	>10 years	Total
On-balance sheet exposures	63 102	12 974	20 309	64 408	19 017	27 679	207 489
Securitisation exposures arising from securitisation/ principal finance activities	–	–	2	1 107	2 741	80	3 930
Rated instruments	–	–	–	75	2 699	–	2 774
Unrated instruments	–	–	2	172	42	80	296
Other	–	–	–	860	–	–	860
Debt instruments - non sovereign (NCDs, bonds held,debentures)	3 475	991	4 527	9 478	1 847	–	20 318
Bank placements	8 754	923	–	1 026	–	–	10 703
Sovereign, government placements	28 235	4 612	770	2 198	741	222	36 778
Call facilities (non-bank entities)	5 829	–	–	–	–	–	5 829
Trading exposures (positive fair value excluding potential future exposures)	1 497	663	903	6 349	2 403	913	12 728
Other credit exposures	91	–	32	325	–	–	448
Gross core loans and advances to customers	15 221	5 785	14 075	43 925	11 285	26 464	116 755
Off-balance sheet exposures	20 352	1 871	3 139	4 884	18	57	30 321
Guarantees	1 408	968	2 024	1 902	2	–	6 304
Contingent liabilities, committed facilities and other	18 944	903	1 115	2 982	16	57	24 017
Total gross credit and counterparty exposures pre collateral or other credit enhancements	83 454	14 845	23 448	69 292	19 035	27 736	237 810

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 '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 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

Calculation of core loans and advances to customers

Audited R'million	31 March 2011	31 March 2010
Loans (pre-impairments and intercompany loans) as per balance sheet	116 678	112 777
Less: warehouse facilities and structured credit investments arising out of our securitisation and principal finance activities (pre-impairments)	(860)	(1 110)
Add: own-originated securitised assets	937	1 373
Gross core loans and advances to customers (pre-impairments)	116 755	113 040

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers. An overview of developments during the financial year is provided on page 39.

Audited R'million	31 March 2011	31 March 2010
Gross core loans and advances to customers	116 755	113 040
Total impairments	(1 382)	(777)
Portfolio impairments	(315)	(320)
Specific impairments	(1 067)	(457)
Net core loans and advances to customers	115 373	112 263
Average gross core loans and advances to customers	114 898	113 295
Current loans and advances to customers	108 919	105 914
Past due and default core loans and advances to customers	7 836	7 126
Past due loans and advances to customers (1 – 60 days)	1 049	1 975
Special mention loans and advances to customers	641	535
Default loans and advances to customers	6 146	4 616
Gross core loans and advances to customers	116 755	113 040
Past due and default core loans and advances to customers	7 836	7 126
Default loans that are current and not impaired	69	369
Gross core loans and advances to customers that are past due but not impaired	3 876	5 097
Gross core loans and advances to customers that are impaired	3 891	1 660
Total income statement charge for core loans and advances	(852)	(858)
Gross default loans and advances to customers	6 146	4 616
Specific impairments	(1 067)	(457)
Portfolio impairments	(315)	(320)
Defaults net of impairments	4 764	3 839
Collateral and other credit enhancements	7 101	5 908
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.18%	0.69%
Total impairments as a % of gross default loans	22.49%	16.83%
Gross defaults as a % of gross core loans and advances to customers	5.26%	4.08%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.13%	3.42%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	0.74%	0.75%

An age analysis of past due and default core loans and advances to customers

Audited R'million	31 March 2011	31 March 2010
Default loans that are current	633	588
1 – 60 days	1 284	2 351
61 – 90 days	423	455
91 – 180 days	843	1 059
181 – 365 days	1 825	1 289
>365 days	2 828	1 384
Past due and default core loans and advances to customers (actual capital exposure)	7 836	7 126
1 – 60 days	304	510
61 – 90 days	105	186
91 – 180 days	342	833
181 – 365 days	1 197	871
>365 days	2 520	1 153
Past due and default core loans and advances to customers (actual amount in arrears)	4 468	3 553

A further age analysis of past due and default core loans and advances to customers

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2011							
Watchlist loans neither past due nor impaired							
Total capital exposure	69	–	–	–	–	–	69
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 192	360	696	838	790	3 876
Amount in arrears	–	272	77	270	568	564	1 751
Gross core loans and advances to customers that are impaired							
Total capital exposure	564	92	63	147	987	2 038	3 891
Amount in arrears	–	32	28	72	629	1 956	2 717
As at 31 March 2010							
Watchlist loans neither past due nor impaired							
Total capital exposure	369	–	–	–	–	–	369
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 216	437	840	852	752	5 097
Amount in arrears	–	405	180	739	633	698	2 655
Gross core loans and advances to customers that are impaired							
Total capital exposure	219	135	18	219	437	632	1 660
Amount in arrears	–	105	6	94	238	455	898

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on total capital exposure)

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	1 049	–	–	–	–	1 049
Special mention	–	46	348	214	4	29	641
Special mention (1 – 90 days)	–	46	118	*214	*4	*29	411
Special mention (61 – 90 days and item well secured)	–	–	230	–	–	–	230
Default	633	189	75	629	1 821	2 799	6 146
Sub-standard	49	67	8	432	639	446	1 641
Doubtful	584	122	67	197	1 182	2 353	4 505
Total	633	1 284	423	843	1 825	2 828	7 836

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on actual amount in arrears)

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	254	–	–	–	–	254
Special mention	–	1	75	37	–	16	129
Special mention (1 – 90 days)	–	1	4	*37	–	*16	58
Special mention (61 – 90 days and item well secured)	–	–	71	–	–	–	71
Default	–	49	30	305	1 197	2 504	4 085
Sub-standard	–	5	1	211	422	300	939
Doubtful	–	44	29	94	775	2 204	3 146
Total	–	304	105	342	1 197	2 520	4 468

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

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

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

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

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

Audited R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2011								
Current core loans and advances	108 919	–	–	108 919	–	(300)	108 619	–
Past due (1 – 60 days)	–	1 049	–	1 049	–	(9)	1 040	254
Special mention	–	641	–	641	–	(6)	635	129
Special mention (1 – 90 days)	–	411	–	411	–	(3)	408	58
Special mention (61 – 90 days and item well secured)	–	230	–	230	–	(3)	227	71
Default	69	2 186	3 891	6 146	(1 067)	–	5 079	4 085
Sub-standard	49	1 591	1	1 641	–	–	1 641	939
Doubtful	20	595	3 890	4 505	(1 067)	–	3 438	3 146
Total	108 988	3 876	3 891	116 755	(1 067)	(315)	115 373	4 468
As at 31 March 2010								
Current core loans and advances	105 914	–	–	105 914	–	(307)	105 607	–
Past due (1 – 60 days)	–	1 975	–	1 975	–	(7)	1 968	365
Special mention	–	535	–	535	–	(6)	529	140
Special mention (1 – 90 days)	–	298	–	298	–	(6)	292	78
Special mention (61 – 90 days and item well secured)	–	237	–	237	–	–	237	62
Default	369	2 587	1 660	4 616	(457)	–	4 159	3 048
Sub-standard	332	1 914	7	2 253	–	–	2 253	1 623
Doubtful	37	673	1 653	2 363	(457)	–	1 906	1 425
Total	106 283	5 097	1 660	113 040	(457)	(320)	112 263	3 553

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

Audited R'million	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
As at 31 March 2011			
Private Banking professional and HNW individuals	76 659	903	337
Corporate sector	19 347	13	74
Banking, insurance, financial services (excluding sovereign)	10 700	4	–
Public and government sector (including central banks)	799	–	–
Trade finance	1 414	129	–
Total gross core loans and advances to customers	108 919	1 049	411
As at 31 March 2010			
Private Banking professional and HNW individuals	73 422	1 735	298
Corporate sector	19 828	155	–
Banking, insurance, financial services (excluding sovereign)	9 948	–	–
Public and government sector (including central banks)	1 599	–	–
Trade finance	1 117	85	–
Total gross core loans and advances to customers	105 914	1 975	298

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

Audited R'million	31 March 2011	31 March 2010
Private Banking professional and HNW individuals	84 049	80 032
Corporate sector	19 555	20 134
Banking, insurance, financial services (excluding sovereign)	10 704	9 948
Public and government sector (including central banks)	799	1 599
Trade finance	1 648	1 327
Total gross core loans and advances to customers	116 755	113 040

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
213	1 640	4 297	–	84 049	(154)	(925)	(1 079)
–	–	121	–	19 555	(155)	(89)	(244)
–	–	–	–	10 704	(6)	–	(6)
–	–	–	–	799	–	–	–
17	1	87	–	1 648	–	(53)	(53)
230	1 641	4 505	–	116 755	(315)	(1 067)	(1 382)
233	2 179	2 165	–	80 032	(111)	(302)	(413)
–	70	81	–	20 134	(203)	(81)	(284)
–	–	–	–	9 948	(6)	–	(6)
–	–	–	–	1 599	–	–	–
4	4	117	–	1 327	–	(74)	(74)
237	2 253	2 363	–	113 040	(320)	(457)	(777)

An analysis of core loans and advances by line of business

Audited R'million	Private Bank 31 March 2011	Private Bank 31 March 2010	Capital Markets 31 March 2011	Capital Markets 31 March 2010	Other* 31 March 2011	Other* 31 March 2010	Total 31 March 2011	Total 31 March 2010
Gross core loans and advances to customers	**84 049**	**80 032**	**27 833**	**28 792**	**4 873**	**4 216**	**116 755**	**113 040**
Total impairments	**(1 078)**	**(412)**	**(28)**	**(16)**	**(276)**	**(349)**	**(1 382)**	**(777)**
Portfolio impairments	(153)	(111)	(18)	(16)	(144)	(193)	(315)	(320)
Specific impairments	(925)	(301)	(10)	–	(132)	(156)	(1 067)	(457)
Net core loans and advances to customers	**82 971**	**79 620**	**27 805**	**28 776**	**4 597**	**3 867**	**115 373**	**112 263**
Average gross core loans and advances	**82 040**	**78 340**	**28 313**	**30 810**	**4 545**	**4 146**	**114 898**	**113 295**
Current loans and advances to customers	76 660	73 422	27 699	28 566	4 560	3 926	108 919	105 914
Total watchlist and default core loans and advances to customers	7 389	6 610	134	226	313	290	7 836	7 126
Past due loans and advances to customers (1-60 days)	903	1 735	17	155	129	85	1 049	1 975
Special mention loans and advances to customers	550	531	74	–	17	4	641	535
Default loans and advances to customers	5 936	4 344	43	71	167	201	6 146	4 616
Gross core loans and advances to customers	**84 049**	**80 032**	**27 833**	**28 792**	**4 873**	**4 216**	**116 755**	**113 040**
Total watchlist and default core loans and advances to customers	**7 389**	**6 610**	**134**	**226**	**313**	**290**	**7 836**	**7 126**
Default loans that are current and not impaired	69	369	–	–	–	–	69	369
Gross core loans and advances to customers that are past due but not impaired	3 639	4 782	91	226	146	89	3 876	5 097
Gross core loans and advances to customers that are impaired	3 681	1 459	43	–	167	201	3 891	1 660
Total income statement charge for loans and advances	**(1 040)**	**(492)**	**154**	**(113)**	**34**	**(253)**	**(852)**	**(858)**
Gross default loans and advances to customers	5 936	4 344	43	71	167	201	6 146	4 616
Specific impairments	(925)	(301)	(10)	–	(132)	(156)	(1 067)	(457)
Portfolio impairments	(153)	(111)	(18)	(16)	(144)	(193)	(315)	(320)
Defaults net of impairments	**4 858**	**3 932**	**15**	**55**	**(109)**	**(148)**	**4 764**	**3 839**
Collateral and other credit enhancements	7 021	5 682	32	156	48	70	7 101	5 908
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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

Audited	Private Bank		Capital Markets		Other		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Total impairments as a % of gross core loans and advances to customers	1.28%	0.51%	0.10%	0.06%	5.66%	8.28%	1.18%	0.69%
Total impairments as a % of gross default loans	18.16%	9.48%	65.12%	22.54%	>100.0%	>100.0%	22.49%	16.83%
Gross defaults as a % of gross core loans and advances to customers	7.06%	5.43%	0.15%	0.25%	3.43%	4.77%	5.26%	4.08%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.86%	4.94%	0.05%	0.19%	(2.37%)	(3.83%)	4.13%	3.42%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	1.27%	0.63%	(0.53%)	0.35%	(0.75%)	6.10%	0.74%	0.75%

An analysis of default core loans and advances by line of business as at 31 March 2011

Audited R'million	Gross core loans	Gross defaults	Collateral	Impairments
Private Bank				
Residential property	31 963	3 315	3 950	420
Residential property investment	3 534	631	772	33
Residential mortgages (owner occupied and second homes)	23 285	640	894	69
Residential property development	1 457	337	413	23
Residential estates / land	3 687	1 707	1 871	295
Commercial property	36 806	1 359	1 740	252
Commercial property Investment	32 304	1 033	1 316	197
Commercial property land	3 132	315	413	55
Commercial property development	1 370	11	11	–
Other	15 281	1 262	1 331	406
Asset backed lending	2 219	326	500	121
Unlisted securities and general corporate lending	6 308	522	479	153
Unsecured lending	1 457	87	65	45
Other	5 297	327	287	87
Total Private Bank	84 049	5 936	7 021	1 078
Capital Markets				
Preference shares	7 235	–	–	–
Acquisition finance	3 068	–	–	–
Asset Finance	2 720	–	–	–
Project Finance	2 002	–	–	–
Structured finance	11 655	43	32	28
Resource finance and commodities	1 153	–	–	–
Total Capital Markets	27 833	43	32	28
Other*	4 873	167	48	276
Total group	116 755	6 146	7 101	1 382

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

Collateral

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

Collateral by line of business

	Private Bank			Capital Markets		
	Collateral held against			Collateral held against		
R'million	Core loans and advances	Other credit and counter-party exposures*	Total	Core loans and advances	Other credit and counter-party exposures*	Total
As at 31 March 2011						
Eligible financial collateral	17 406	4 054	21 460	6 736	3 546	10 282
Listed shares	16 075	–	16 075	5 061	1 261	6 322
Cash	1 331	4 054	5 385	1 675	847	2 522
Debt securities issued by sovereigns	–	–	–	–	1 438	1 438
Mortgage bonds	124 401	15	124 416	4 541	–	4 541
Residential mortgages	51 570	–	51 570	–	–	–
Residential development	–	–	–	–	–	–
Commercial property developments	780	15	795	14	–	14
Commercial property investments	72 051	–	72 051	4 527	–	4 527
Other collateral	16 176	4	16 180	20 153	1 068	21 221
Unlisted shares	10 864	–	10 864	2 493	–	2 493
Bonds other than mortgage bonds	145	–	145	1 717	220	1 937
Debtors, stock and other corporate assets	70	–	70	–	–	–
Guarantees	18	4	22	11 379	848	12 227
Credit derivatives	–	–	–	–	–	–
Other	5 079	–	5 079	4 564	–	4 564
Total collateral	157 983	4 073	162 056	31 430	4 614	36 044
As at 31 March 2010						
Eligible financial collateral	13 855	2 749	16 604	4 972	872	5 844
Listed shares	13 608	–	13 608	3 489	872	4 361
Cash	247	2 749	2 996	1 461	–	1 461
Debt securities issued by sovereigns	–	–	–	22	–	22
Mortgage bonds	130 165	–	130 165	15 980	–	15 980
Residential mortgages	44 887	–	44 887	–	–	–
Residential development	104	–	104	–	–	–
Commercial property developments	678	–	678	–	–	–
Commercial property investments	84 496	–	84 496	15 980	–	15 980
Other collateral	2 964	499	3 463	16 288	3 278	19 566
Unlisted shares	624	–	624	463	–	463
Bonds other than mortgage bonds	216	–	216	7 834	3 198	11 032
Debtors, stock and other corporate assets	1 952	–	1 952	248	–	248
Guarantees	–	–	–	7 317	80	7 397
Credit derivatives	–	–	–	–	–	–
Other	172	499	671	426	–	426
Total collateral	146 984	3 248	150 232	37 240	4 150	41 390

* *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.*

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

	Other**			Total		
	Collateral held against			Collateral held against		
	Core loans and advances	Other credit and counter-party exposures*	Total	Core loans and advances	Other credit and counter-party exposures*	Total
	1 841	–	1 841	25 983	7 600	33 583
	1 745	–	1 745	22 881	1 261	24 142
	9	–	9	3 015	4 901	7 916
	87	–	87	87	1 438	1 525
	556	–	556	129 498	15	129 513
	556	–	556	52 126	–	52 126
	–	–	–	–	–	–
	–	–	–	794	15	809
	–	–	–	76 578	–	76 578
	1 980	–	1 980	38 309	1 072	39 381
	–	–	–	13 357	–	13 357
	411	–	411	2 273	220	2 493
	838	–	838	908	–	908
	–	–	–	11 397	852	12 249
	–	–	–	–	–	–
	731	–	731	10 374	–	10 374
	4 377	–	4 377	193 790	8 687	202 477
	2 211	–	2 211	21 038	3 621	24 659
	2 195	–	2 195	19 292	872	20 164
	16	–	16	1 724	2 749	4 473
	–	–	–	22	–	22
	595	–	595	146 740	–	146 740
	595	–	595	45 482	–	45 482
	–	–	–	104	–	104
	–	–	–	678	–	678
	–	–	–	100 476	–	100 476
	2 004	–	2 004	21 256	3 777	25 033
	–	–	–	1 087	–	1 087
	598	–	598	8 648	3 198	11 846
	788	–	788	2 988	–	2 988
	–	–	–	7 317	80	7 397
	–	–	–	–	–	–
	618	–	618	1 216	499	1 715
	4 810	–	4 810	189 034	7 398	196 432

Collateral (continued)

A summary of total collateral is provided in the table below.

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 31 March 2011			
Eligible financial collateral	25 983	7 600	33 583
Listed shares	22 881	1 261	24 142
Cash	3 015	4 901	7 916
Debt securities issued by sovereigns	87	1 438	1 525
Mortgage bonds	129 498	15	129 513
Residential mortgages	52 126	–	52 126
Residential development	–	–	–
Commercial property development	794	15	809
Commercial property investments	76 578	–	76 578
Other collateral	38 309	1 072	39 381
Unlisted shares	13 357	–	13 357
Bonds other than mortgage bonds	2 273	220	2 493
Debtors, stock and other corporate assets	908	–	908
Guarantees	11 397	852	12 249
Credit derivatives	–	–	–
Other	10 374	–	10 374
Total collateral	193 790	8 687	202 477
As at 31 March 2010			
Eligible financial collateral	21 038	3 621	24 659
Listed shares	19 292	872	20 164
Cash	1 724	2 749	4 473
Debt securities issued by sovereigns	22	–	22
Mortgage bonds	146 740	–	146 740
Residential mortgages	45 482	–	45 482
Residential development	104	–	104
Commercial property development	678	–	678
Commercial property investments	100 476	–	100 476
Other collateral	21 256	3 777	25 033
Unlisted shares	1 087	–	1 087
Bonds other than mortgage bonds	8 648	3 198	11 846
Debtors, stock and other corporate assets	2 988	–	2 988
Guarantees	7 317	80	7 397
Credit derivatives	–	–	–
Other	1 216	499	1 715
Total collateral	189 034	7 398	196 432

* *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.*

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 curtailed given the current economic climate.

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

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

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R2.0 billion as at 31 March 2011 (31 March 2010: R2.4 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to page 41). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

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

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

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

Total assets that have been originated and securitised by the Private Bank amount to R0.9 billion (31 March 2010: R1.4 billion). These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to page 168.

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 securitized 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 31 March 2011 R'mn	Exposure as at 31 March 2010 R'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments	3 070	2 002	On-balance sheet securitisation/principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated*	2 774	1 794			
Unrated	296	208			
Warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	790	1 092	On-balance sheet securitisation/principal finance exposure.	The total exposure of R790 million is net of impairments of R69 million.	
Private Banking division assets which have been securitised	937	1 373	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 securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
Liquidity facilities provided to third party corporate securitisation vehicles	2 041	2 434	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

* Further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	31 March 2011 Total	31 March 2010 Total
US corporate loans	–	–	–	–	33	–	–	33	67
European RMBS	464	523	344	481	528	–	–	2 340	1 727
European CMBS	94	–	–	15	–	–	–	109	–
South African RMBS	–	241	30	–	–	–	–	271	–
South African CMBS	–	–	21	–	–	–	–	21	–
Total	558	764	395	496	561	-	-	2 774	1 794

Equity and investment risk in the banking book

Equity and investment risk description

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

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

Management of equity and investment risk

As equity and investment risk arise from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee, the Investec Bank Limited Direct Investments division, investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Central Funding investments	Investment committee and ERRF

Stress testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 129 to 133 for factors taken into consideration in determining fair value. We have a low level of assets exposed to the volatility of IFRS fair value accounting with "level 3" assets amounting to 0.06% of total assets (refer to note 11 on pages 156 to 161 for further information).

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

Audited R'million	Income (pre funding costs) Unrealised	 Realised	 Dividends, net interest and other	 Total	Fair value through equity
For the year ended 31 March 2011					
Unlisted investments	38	469	242	749	–
Listed equities	369	20	–	389	–
Warrants, profit shares and other embedded derivatives	78	138	–	216	–
Trading and investment properties	14	–	1	15	–
Total	499	627	243	1 369	–
For the year ended 31 March 2010					
Unlisted investments	326	273	227	826	–
Listed equities	60	79	1	140	1
Warrants, profit shares and other embedded derivatives	205	75	3	283	–
Trading and investment properties	–	–	–	–	–
Total	591	427	231	1 249	1

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from capital within Investec Bank Limited.

Summary of investments held and stress testing analyses

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

Audited R'million	On-balance sheet value of investments 31 March 2011	Valuation change stress test* 31 March 2011	On-balance sheet value of investments 31 March 2010	Valuation change stress test* 31 March 2010
Unlisted investments	4 982	747	5 243	871
Listed equities	1 134	284	630	165
Warrants, profit shares and other embedded derivatives	577	202	513	223
Trading and investment properties	302	59	–	–
Total	6 995	1 292	6 386	1 259

* 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	Scenario 2
Unlisted	15%
Listed	25%
Trading properties	20%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information as at 31 March 2011, as reflected above we could have a R1.3 billion reversal in revenue (which assumes a year in which there is a 'worst case scenario'). This would not cause the bank to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes negatively impacted at the same time is very low.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 88 for further detail.

Traded market risk management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A global market risk forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed either annually or in the event of a significant market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of traded market risk

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

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

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL), extreme value theory (EVT), stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

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

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'back testing breach' is considered to have occurred.

In South Africa, we have internal model approval and so trading capital is calculated as a function of the 99% 10-day VaR, backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

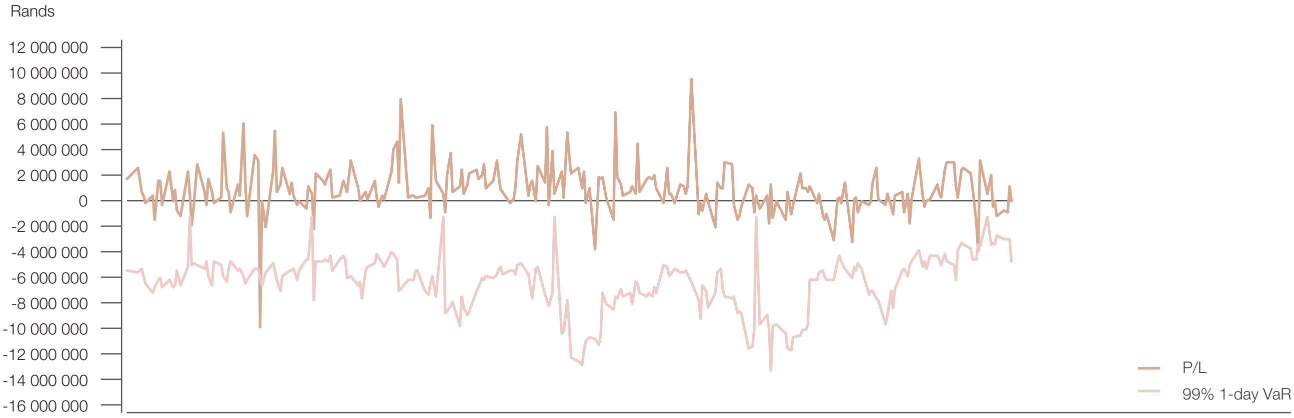
VaR 95% (one day) Audited

R'million	Year end	Average	High	Low
31 March 2011				
Commodities	0.1	0.1	0.3	–
Equity derivatives	1.1	1.5	5.7	0.4
Foreign exchange	0.9	1.9	5.7	0.7
Interest rates	1.3	2.4	5.1	0.9
Consolidated*	1.7	3.0	9.8	1.3
31 March 2010				
Commodities	0.1	0.1	0.6	–
Equity derivatives	0.7	2.0	6.4	0.7
Foreign exchange	2.4	2.4	7.1	1.2
Interest rates	1.3	2.0	6.5	0.9
Consolidated*	2.5	3.6	8.0	1.4

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

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

99% 1-day VaR backtesting



VaR for 2011 in the South African trading book has remained at the low levels as experienced in 2010. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions, which is less than the two to three exceptions that a 99% VaR implies. Last year we displayed the backtesting with the actual profit and loss data, using this data there would have been no exceptions over the year. The exceptions were due to normal trading losses.

ETL 95% (one day) Audited

R'million	31 March 2011	31 March 2010
Commodities	0.1	0.1
Equity derivatives	2.7	1.2
Foreign exchange	1.3	4.0
Interest rates	2.4	2.4
Consolidated*	3.5	3.9

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

Stress testing Audited

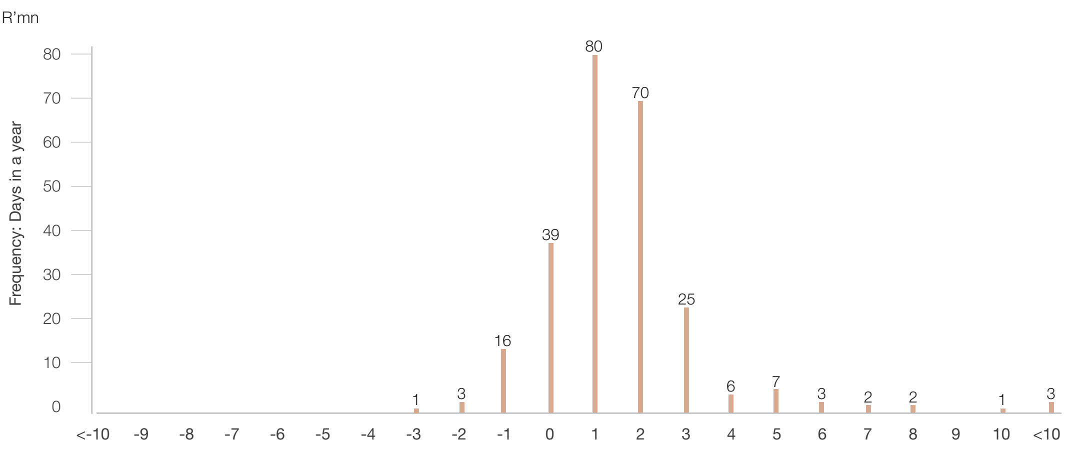
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The March 2010 methodology is not comparable to that used for March 2011. The March 2010 numbers assume a normal distribution of profits and losses and looked at the 15 standard deviation number. The March 2011 number does not assume normality but rather relies on fitting a distribution to the tails of the distribution. This method is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event.

R'million	31 March 2011	31 March 2010
Commodities	0.3	0.6
Equity derivatives	16.0	5.0
Foreign exchange	5.6	18.4
Interest rates	10.0	10.3
Consolidated	6.2	34.3

Profit and loss histogram

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 199 days out of a total of 258 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2011 was R1.2 million (2010: R0.6 million).

Profit and loss



Traded market risk mitigation

The Market Risk Management team has a reporting line that is separate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 500 days of unweighted data), where every 'risk factor' is exposed to daily moves over the past two years. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

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

Traded market risk year in review

Trading conditions in South Africa remained difficult, as client flow failed to pick up much over the year. Risk assumed in the trading business continues to be low and has in some cases been even lower than last year. Investec remains committed to trading on client flow as opposed to proprietary trading. Despite the difficult trading conditions all trading desks recorded a profit.

Market risk – derivatives Audited

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 164 and 165.

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

Balance sheet risk management

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and monitoring and the enhanced regulatory framework to be established, as published in December 2009 and updated in December 2010. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In some jurisdictions Investec already exceeds minimum requirements of these standards, whilst in other geographies we have commenced with strategies to shape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

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

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

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

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

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

The ALCO's typically comprise the managing director, the head of Risk, the head of the funding desk, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer, Private Bank representatives and any appropriate co-opted personnel. The ALCO's meet on a monthly basis to discuss and decide on strategies to mitigate any undesirable liquidity and interest rate risk.

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

The group's central treasury function directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, internally administers funds transfer pricing which ensures that the costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The central treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

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

Non-trading interest rate risk otherwise known as interest rate risk in the banking book (IRRBB), 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.

The balance sheet risk function further performs scenario modelling and daily liquidity stress tests designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios, in which the rate and timing of deposit withdrawals and draw-downs on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The parameters used in the scenarios are regularly reviewed, taking into account changes in the business environments and input from business units. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committee.

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

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

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

Non-trading interest rate risk description

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

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

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally, we are exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within Central Treasury and Central Treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to Central Treasury
- The policy dictates that long-term non-trading interest rate risk is materially eliminated
- Central Treasury directs pricing for all deposit products (including deposit products offered to the private clients)

- Central Treasury maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long and short-term funding to consumers of liquidity and provide long term stable funding for our asset creation activity
- Central Treasury is the sole interface to the wholesale market for both cash and derivative transactions
- Daily management of interest rate risk by Central Treasury, subject to independent ALCO review
- Technical interest rate analysis and economic review of fundamental developments by geography and global trends
- Independent measurement and analysis of both traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Non-trading interest rate risk is measured and managed both from a net interest margin perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities.

Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure, this allows for the detection of interest rate risk by concentration of repricing, net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, and economic value sensitivity and stress testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape by geography taking global trends into account. This combination of measures provides senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

Operationally, non-trading interest rate risk is transferred within pre-defined guidelines from the originating business to the central treasury function and aggregated or netted. The Central Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the composition of the banking group's discretionary liquid asset portfolio or through derivative transactions which transfer the risk into the trading books within the Capital Markets division to be traded with the external market. Any resultant interest rate position is managed under the market risk limits. The Central Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the central treasury function by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, the central treasury function hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area.

Interest rate sensitivity gap

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

As at 31 March 2011 R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	3 962	483	–	–	–	6 778	11 223
Cash and short-term funds – non-banks	5 829	–	–	–	–	–	5 829
Investment/trading assets	32 842	7 996	2 464	6 850	3 553	6 247	59 952
Securitised assets	2 176	–	–	–	–	–	2 176
Advances	101 137	649	1 744	7 671	3 108	914	115 223
Other assets	–	–	–	–	–	1 143	1 143
Assets	145 946	9 128	4 208	14 521	6 661	15 082	195 546
Deposits – banks	(10 806)	(30)	–	(120)	–	–	(10 956)
Deposits – non-banks	(133 842)	(8 893)	(7 555)	(2 502)	(630)	(998)	(154 420)
Negotiable paper	(2 219)	(71)	(100)	(50)	(49)	–	(2 489)
Securitised liabilities	(2 174)	–	–	–	–	–	(2 174)
Investment/trading liabilities	(4 885)	–	–	–	–	–	(4 885)
Subordinated liabilities	(2 790)	–	(1 688)	(2 187)	(200)	–	(6 865)
Other liabilities	–	–	–	–	–	(3 246)	(3 246)
Liabilities	(156 716)	(8 994)	(9 343)	(4 859)	(879)	(4 244)	(185 035)
Intercompany loans	8 254	509	(211)	(1 221)	45	608	7 984
Shareholders' funds	(1 176)	–	–	–	(11)	(17 581)	(18 768)
Balance sheet	(3 692)	643	(5 346)	8 441	5 816	(6 135)	(273)
Off-balance sheet	12 901	(834)	2 446	(10 017)	(4 223)	–	273
Repricing gap	9 209	(191)	(2 900)	(1 576)	1 593	(6 135)	–
Cumulative repricing gap	9 209	9 018	6 118	4 542	6 135	–	–

Economic value sensitivity

As discussed previously 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 a significant direct impact to equity.

	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bp down	(143.8)	0.1	1.5	(0.1)	0.9	(126.0)
200bp up	135.0	(0.2)	(2.1)	(0.1)	(0.7)	112.6

Liquidity risk description Audited

Liquidity risk is further broken down into:

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

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

Management and measurement of liquidity risk

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

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the SARB and the Bank of Mauritius
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and monitoring and the enhanced regulatory framework to be established, as published in December 2009 and updated in December 2010
- The risk appetite is clearly defined
- Each geographic entity must have its own board approved policies with respect to liquidity risk management
- Each geographic entity must be self sufficient from a funding and liquidity stand point so that there is no reliance on intergroup lines either from or to other group entities
- Branches and subsidiaries have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government, or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cashflow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite.
- Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis

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.

- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators
- The group centrally manages access to funds in the market through the Central Treasury divisions
- Maintenance of sustainable, prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The central treasury function charges out the price of long and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans.

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

We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This demonstrates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Bank continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 9.6% from 1 April 2010 to R56.1 billion at 31 March 2011. We have also introduced a number of innovative retail deposit initiatives within our Capital Markets division and these continued to experience strong inflows during the financial year. Our total retail customer deposit base increased by 7.9% from 1 April 2010 to R154.8 billion at 31 March 2011. On average our fixed and notice customer deposits have amounted to approximately 71% of total deposits since April 2006 for Investec Bank Limited, thereby displaying a strong ‘stickiness’ and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported. Our funding and liquidity capacity is not reliant on these entities to any material extent and we do not rely on these vehicles for funding in the normal course of business.

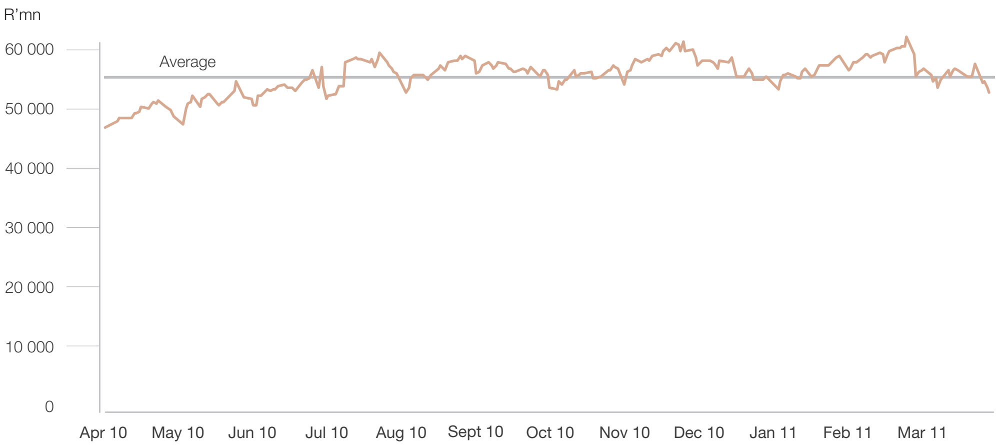
As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short–term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. We do not rely on interbank deposits to fund term lending. From 1 April 2010 to 31 March 2011 average cash and near cash balances over the period amounted to R56 billion in South Africa.

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

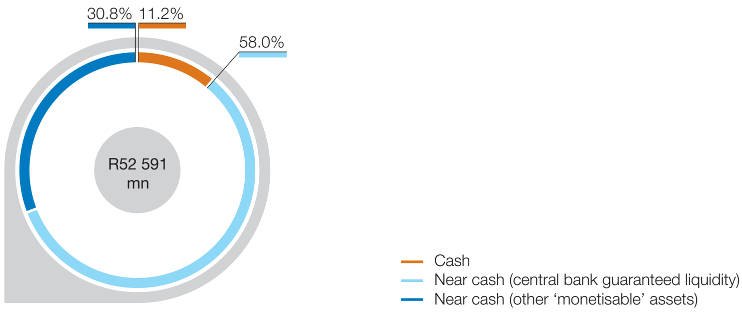
Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The liquidity contingency plans outline extensive early warning indicators and clear and decisive crisis response strategies. Early warning indicators span bank specific and systemic crises.

Crisis response strategies address roles and responsibilities, composition of decision making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank specific events, while minimising detrimental long-term implications for the business.

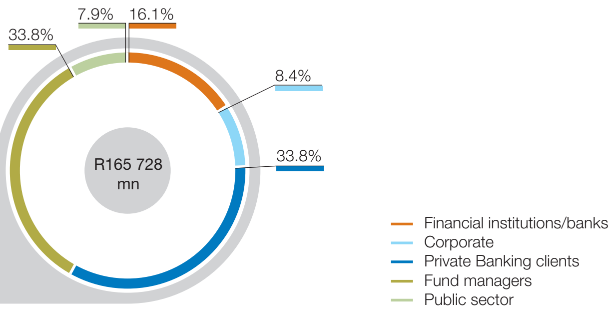
Investec Bank Limited (Southern Africa) cash and near cash trend



An analysis of cash and near cash



Bank and non-bank depositor concentration by type



We maintained a strong liquidity profile throughout the year.

Liquidity mismatch

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

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

We maintained a strong liquidity profile throughout the year. Despite competitive pressures we were able to increase deposits taken from the retail market and raise additional liquidity. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity as at 31 March 2011

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks*	9 238	669	136	508	43	1 137	–	11 731
Cash and short-term funds – non-banks	5 829	–	–	–	–	–	–	5 829
Investment/trading assets and statutory liquids**	23 644	21 135	–	65	1 852	20 715	10 939	78 350
Securitised assets	87	87	272	288	231	985	226	2 176
Advances	1 910	8 172	8 836	7 542	11 790	47 588	29 385	115 223
Other assets	–	68	–	–	2 610	1 138	4 437	8 253
Assets	40 708	30 131	9 244	8 403	16 526	71 563	44 987	221 562
Deposits – banks	(718)	(1 656)	(927)	(911)	(6 516)	(228)	–	(10 956)
Deposits – non-banks	(47 691)^	(28 450)	(31 549)	(13 586)	(17 188)	(14 788)	(1 520)	(154 772)
Negotiable paper	–	(678)	(245)	(200)	(440)	(437)	(489)	(2 489)
Securitised liabilities	–	(822)	(1 352)	–	–	–	–	(2 174)
Investment/trading liabilities	(209)	(10 386)	(496)	(952)	(1 019)	(8 555)	–	(21 617)
Subordinated liabilities	–	–	–	–	(1 688)	(3 628)	(1 549)	(6 865)
Other liabilities	–	(163)	(257)	(60)	(5)	(27)	(3 340)	(3 852)
Liabilities	(48 618)	(42 155)	(34 826)	(15 709)	(26 856)	(27 663)	(6 898)	(202 725)
Shareholders' funds	–	–	–	–	–	–	(18 837)	(18 837)
Contractual liquidity gap	(7 910)	(12 024)	(25 582)	(7 306)	(10 330)	43 900	19 252	–
Cumulative liquidity gap	(7 910)	(19 934)	(45 516)	(52 822)	(63 152)	(19 252)	–	–

Note: contractual liquidity adjustments (as discussed on page 74)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Cash and short-term funds – banks	5 507	669	136	508	43	1 137	3 731	11 731
**Investment/trading assets and statutory liquids	188	17 238	11 603	6 108	6 709	24 578	11 653	78 077

Behavioural liquidity (as discussed on page 74)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	20 625	(2 930)	(2 321)	2 277	(366)	(52 125)	34 840	–
Cumulative	20 625	17 695	15 374	17 651	17 285	(34 840)	–	–

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

Balance sheet risk year in review

The financial year was characterised by 100bp of rate cuts and 150bp if the rate cut at the end of March 2010 is included. The Rand was exceptionally strong and this pushed inflation lower and facilitated the drop in interest rates to generational lows. The cost of term deposits plummeted precipitously and this allowed for a restoration of margins in the latter half of the year. Trading profits on the surplus liquid asset books and liquid asset books boosted income.

Liquidity conditions improved dramatically over the year. The wholesale deposit base grew moderately relative to real asset growth which resulted in a buildup of cash reserves which were placed in highly liquid treasury bills and government bonds.

The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 7.9% from 1 April 2010 to R154.8 billion at 31 March 2011 (Private Bank deposits amount to R56.1 billion and other retail deposits amount to R98.7 billion). Cash and near cash balances increased by 9.6% from 1 April 2010 to R52.6 billion at 31 March 2011. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues.

The prospect of regulatory change will continue to force us along with other South African banks to lengthen our deposit books, review asset pricing and asset growth. Conditions remain favourable for further regular forays into the Rand bond and Euro bond markets during the course of 2011/12.

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

- Investec Bank Limited (IBL):
  - We issued medium-term 3.5 and seven year notes totaling R6.0 billion over the course of the year
  - We raised EUR 220 million and USD 310 million for 18 months to boost our foreign currency cash reserves.

Regulatory considerations - balance sheet risk

The financial crisis has kindled increased global regulation and supervision with regulators proposing to both strengthen and harmonise global liquidity standards. More stringent and potentially costly prerequisites in the areas of capital and liquidity management, could imply significant shifts evolving into the new regulatory generation.

Substantial progress has been made to date to reform the global regulatory framework initiated by the G20 in April 2009.

In December 2010, BCBS updated its guidelines for liquidity risk measurement standards and monitoring, which supplemented the 2008 'Principles of Sound Liquidity Risk Management and Supervision'.

Two key measures were defined:

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of 1 month liquidity profile, by ensuring that banks to have sufficient high quality liquid assets to meet potential outflows in a stressed environment.

Net stable funding ratio (NSFR)

This ratio is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

The BCBS guidelines were followed by a quantitative impact study (QIS) in an attempt to assess the impact of the new proposals on banks and the broader economy. Investec participated in the QIS study and believes it will be adequately capitalised to meet the new requirements.

The guidelines have yet to be implemented by law, therefore remain subject to refinements and change. In addition Basel has catered for areas of national discretion to be set by the local supervisors, that take into account structural issues that may exist in a financial system of a country. The impact of any unintended consequences of the new standards for funding liquidity, both on a global and national level, should become apparent during the planned observation period. Banks are expected to commence reporting on the ratios in 2012 and full implementation and compliance of the LCR and NSFR in 2015 and 2018 respectively.

Investec group has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In some jurisdictions Investec already exceeds these standards, whilst in other geographies we have commenced with strategies to shape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

It is expected that South Africa, as a member of the G20, will adopt the BCBS guidelines for liquidity risk measurement standards and monitoring.

The liquidity proposals in their original form have however highlighted the shortcomings in the collective financial markets in South Africa, brought about by structural impediments that can only be addressed in a collaborative environment. The banks alone are powerless to change the landscape of the South African financial markets and the industry faces many challenges in complying with these standards.

In recognition thereof the South African minister of finance recommended the institution of a structural funding and liquidity risk management task team, chaired by South Africa National Treasury, to investigate the structural funding profile which is conducive to continued resilience of the South African financial sector. The task team will aim to provide recommendations to improve the structural funding profile of South Africa in a way that leads to balanced economic growth, the long-term sustainability of the South African financial system and social well-being of the country.

The BCBS has endowed regulatory prudence to the discretion of the national regulator, SARB, who will have to lead South African banks into the new generation of regulatory supervision. The Banking Association South Africa formed an industry task group whose mandate is to develop a series of position papers that will contextualise the challenges that need to be considered, in order to facilitate dialogue with National Treasury and the SARB on matters relating to the proposed LCR and NSFR.

Investec is a participant in the structural funding and liquidity risk management task team as well as the Banking Association South Africa task group.

Although implementation time lines seem far into the future, compliance to 100% of the two ratios remain a target in the South African banking industry.

Operational risk management

Operational risk description

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

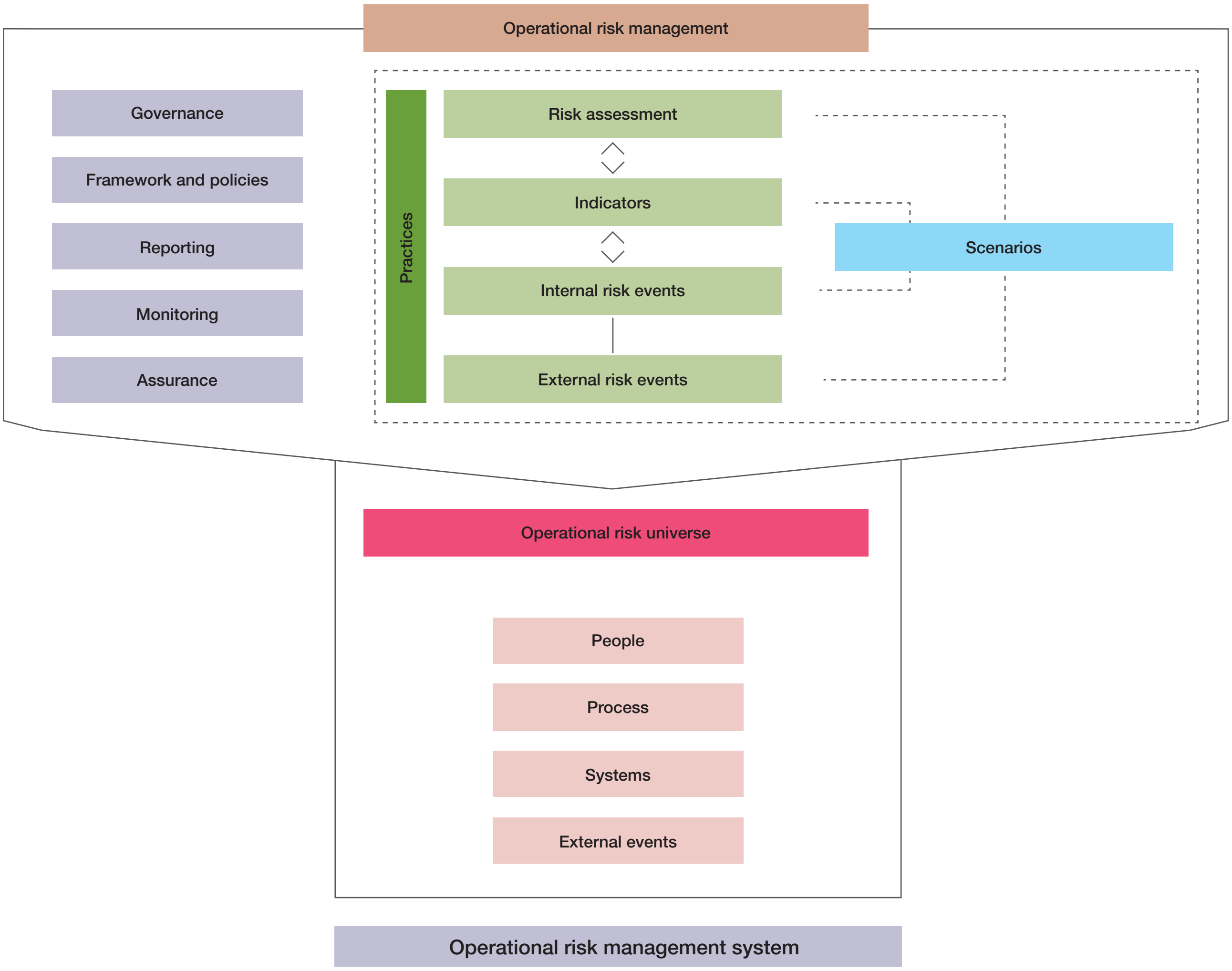
We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of appropriate and relevant sound operational risk management practices.

We have adopted the standardised approach to calculate the regulatory operational risk capital requirement.

Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic process to identify and mitigate operational risk across the group.

A group-wide operational risk management system is used to record and evidence the operational risk management process. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view, analysis and reporting of the group's operational risk profile.



Governance

The governance structure adopted by the operational risk management function operates in terms of a levels of defence model and provides combined assurance as described below:

Level	Function	Activity
1	Business unit management	• Identify and mitigate operational risk • Own the operational risks arising in their business area • Establish and maintain an appropriate operational risk and control environment • Maintain an embedded operational risk management capability • Implement and execute sound operational risk management practices.
2	Group Operational Risk Management	• Independent of operations • Maintain the group operational risk management framework and policy • Develop and promote sound operational risk management practices • Challenge and review business unit operational risk practices and data • Report on operational risk exposures, events, and emerging issues to board and board committees, and relevant business unit forums • Ensure supervisory requirements are achieved.
3	Internal audit and specialist assurance	• Independent review of the operational risk framework, and the effectiveness of its implementation • Audit findings integrated into the operational risk management process • Specialist validation of key practices.
4	External audit and supervisors	• External assessment of the operational risk management environment • Regulatory onsite reviews by the SARB
5	Board and board committees	• Monitor and review the operational risk exposures and metrics • Approve the operational risk management framework and key operational risk management policies.

Framework and policies

Policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate and consistent manner across the group. These are regularly reviewed through the operational risk governance structure as well as the BRCC.

Practices

Operational risk identification and assessments

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

The RAF is organised into risk areas and relevant associated detailed risks. A controlled operational risk exposure is determined based on an assessment of the consequence, likelihood of occurrence and the effectiveness of the relevant controls.

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

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

The assessment of risks and controls is conducted at business unit level and is subject to action and escalation in terms of the operational risk appetite policy, which sets out the operational risk exposure that the group is willing to accept or retain.

Risk assessments are reviewed regularly based on the internal and external events and changes in the business environment. Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures applicable to the respective operating jurisdictions.

Key operational risks

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

Key operational risks	Key considerations
Business continuity	• Availability of systems and processes • Ability to continue operations.
Financial crime	• Theft or misappropriation of client or company assets from internal or external sources.
Legal	• Appropriate advice, documentation and implementation.
Process failure	• Execution, delivery and process failure due to errors or omissions.
Regulatory compliance	• Adherence to laws, regulations and industry codes • Pace of new regulatory requirements and developments.

Operational risk indicators

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

Internal operational risk events

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

The controls in place to mitigate risks that are highlighted by execution, delivery and process management events are considered and improved continually.

External fraud includes credit card fraud. Initiatives to improve, detect, prevent and mitigate credit card fraud is ongoing.

External operational risk events

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

Scenarios

Key operational risks and other material operational risks are subjected to a scenario analysis process. Various plausible, extreme, scenarios are developed and documented for each material operational risk. Scenario information is sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The data collected through the scenario process is evaluated using a Monte Carlo simulation technique. This provides a measure of the exposure arising from the key risks and is used to determine internal operational risk capital requirements. This is reviewed by the capital committee.

Reporting

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

Monitoring

The individual components of the operational risk management framework are monitored on an ongoing basis by group Operational Risk Management and the embedded risk managers (ERM's). These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the group.

Group-wide operational risk focus areas

Business continuity management

The group manages a global business continuity management capability which focuses on building an appropriate level of resilience into the bank's operations to mitigate the risk of severe operational disruptions occurring. The group conducts regular exercises to ensure that its recovery capability remains appropriate.

Information technology risk

The group continues to ensure that information technology risk is appropriately mitigated within a rapidly changing technology and threat landscape. ERM's focus on ensuring the confidentiality, integrity and availability of information. Information security remains a key area of focus.

Financial crime

In ensuring that financial crime risk is appropriately managed the group pursues a policy of mitigating this risk as follows:

- Ensuring that appropriate action is taken in respect of fraudulent activities
- Identifying criminal acts against the group, investigating and recovering losses
- Engaging with external specialist and industry forums.

Developments

Areas of focus during the year included:

- Ongoing development and enhancement of the operational risk management framework having consideration for advanced operational risk management practices
- Regular engagement with industry groups and fora enables the group to be informed of developments
- Enhancing the risk and control environment remains an area of focus, particularly in areas where trends are identified
- Using outputs from operational risk processes more effectively in proactively managing operational risk
- Continue to monitor regulatory developments and actively engage with regulators.

Insurance

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

Reputational risk

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

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

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

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of Legal Risk. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A legal risk forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the global head of Legal Risk or an appointed deputy. Minutes of the meetings are circulated to the chief executive officer of each legal entity.

Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of both Investec plc and Investec Limited.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise.

Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number or subsidiaries are subject to local regulatory oversight of capital sufficiency by the regulators for the jurisdictions in which they operate.

Philosophy and approach

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec has always held capital in excess of regulatory requirements and the group intends to ensure that it continues to remain well capitalised. Accordingly, the group maintains capital adequacy targets of a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17%, on a consolidated basis, for Investec plc and Investec Limited.

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

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term external rating of at least 'A'
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Informal discussions with the group's regulators to assist in setting minimum regulatory capital.

The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital.

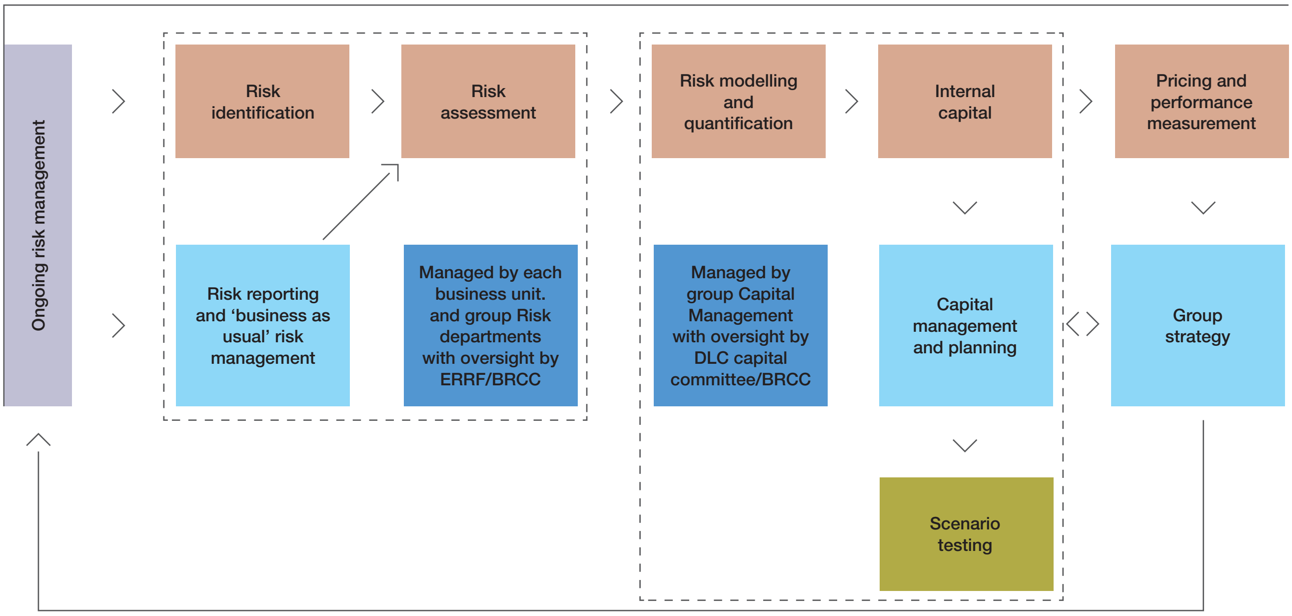
Internal capital performs a critical role in:

- Investment decision making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and track performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

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

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and identification

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by the BRCC following an extensive process of engagement with senior management. This is a bottom up process initially performed by each business unit across the group. Key risks are then debated and agreed at senior management level and ultimately by BRCC. Assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Risk reporting

As part of standard business practice, key identified risks are monitored by group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting, including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

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

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

Role of regulatory capital in capital management

On 1 January 2008, we began operating under the Basel II regulatory regime across all regulated entities. We have adopted the standardised approach under 'pillar 1' to determine our regulatory minimum capital requirements.

Since the introduction of Basel II, a number of significant amendments have either been introduced or are expected to be introduced over the coming financial year and beyond. Such changes reflect regulatory objectives around financial stability and affect many areas of our approach to ensuring prudential ongoing management of our risks. With respect to capital sufficiency, rules will tend to require banks generally to hold greater amounts of higher quality capital which will have impacts on a range of processes within all banks. We have historically managed our capital to a very high standard and as such we are well placed to meet any new requirements. Because of this, even after allowing for regulatory changes, the risk appetite of the board and senior management remains unchanged.

Local management within each geography are responsible for compliance with the entity's minimum regulatory requirements, although the allocation of capital supply is controlled by the DLC capital committee.

While consideration of regulatory capital is an important component of our management of capital sufficiency, we do not use regulatory capital as the exclusive driver of capital allocation.

Therefore, while regulatory capital requirements under 'pillar 1' form the minimum capital for Investec plc, Investec Limited and their various regulated subsidiaries, our capital management framework places emphasis on the internal assessment of capital requirements and is based on a conservative assessment of the underlying risk of the portfolio. This requirement has been adopted within our approach to 'pillar 2', of which the internal capital framework constitutes a central role.

Risk modelling and quantification (internal capital)

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

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

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk
- Equity and property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk
- Operational risk
- Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Capital management, planning and scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to assess capital sufficiency under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Stressing the business plans through the capital planning process is an important tool by which the board can gain insight to potential sources of vulnerability of the capital sufficiency of the group by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence determination of our risk appetite.

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

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

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

Pricing and performance measurement

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk adjusted internal capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

Responsibility for the risk and capital management process

The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital management. The group's senior management take active roles in allocating capital at a transactional level. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn to DLC capital committee.

These forums have been in place for several years and their roles and responsibilities are discussed in the Investec group's 2011 annual report.

In order to manage local capital considerations, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. Capital adequacy within the Southern African operations is discussed monthly through the regulatory forum, which includes Investec Bank Limited and Investec Bank (Mauritius) Limited. The use of these committees ensures that capital is actively managed from the lowest and most detailed reporting level and cascades up to the ultimate responsible body – the BRCC.

The following areas within the group have specific operational capital management responsibilities:

- Business units, in particular those who conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets):
  - The transactional consultants within the business units consider the capital requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account capital usage
  - Management are responsible for translating their detailed individual strategies into a 'bottom-up' capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital
- Group Finance:
  - Regulatory reporting is the responsibility of a dedicated team within group Finance, who are responsible for ensuring regulatory capital requirements are continuously met

- Financial control, through the capital management function, is responsible for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management
  - The capital management function also co-ordinates, with assistance from business units, the development of the group's capital plan
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by group Finance
  - As with Risk Management, the group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.

- Risk management:
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk generated by trading activities. Traded market risk is closely monitored by our various risk management fora
  - As part of Operational Risk Management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via the internal capital framework
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems.

- Board and group executive:
  - The board has ultimate responsibility for the oversight of day-to-day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite. This responsibility is mandated to BRCC
  - The BRCC has delegated management of capital to the DLC capital committee and risk management to ERRF.

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk adjusted internal capital.

Regulatory considerations – capital management

The regulation and supervision of financial institutions continues to undergo significant change in response to the global financial crisis. Changes to rules defining eligibility of qualifying capital and the risk weighting of asset classes proposed under the so-called Basel III and capital requirement directive amendments pose the largest potential changes to the group's balance sheet management priorities. These guidelines have yet to be implemented into law within the group's operating jurisdictions, and therefore remain subject to refinement and change. In addition to Basel III there are a number of sources of potential regulatory change that may affect our capital sufficiency and balance sheet management functions, each of which are closely monitored.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and prepared for. To allow the committee to carry out this function, the group's regulatory and capital management teams closely monitor regulatory developments and regularly present to committee on latest developments. As part of any assessment the committee is provided with analysis showing the group's capital sufficiency taking into account the most up to date interpretation of those changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes and their impact on the group and its subsidiaries.

Capital disclosures in terms of Basel II

The tables that follow provide information as required in terms of Basel II.

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 177 and 188.

R'million	31 March 2011	31 March 2010
Regulatory capital		
Tier 1		
Called up share capital	27	25
Share premium	11 845	10 530
Retained income	7 067	6 055
Other reserves	250	158
Goodwill	(108)	(95)
Primary capital (Tier 1)	19 081	16 673
Less: deductions	(297)	(266)
	18 784	16 407
Tier 2 capital		
Aggregate amount	7 039	5 553
Less: deductions	(297)	(265)
	6 742	5 288
Total capital	25 526	21 695

Capital requirements

R'million	31 March 2011	31 March 2010
Capital requirements	15 537	13 272
Credit risk – prescribed standardised exposure classes	11 662	10 965
Corporates	7 369	6 991
Secured on real estate property	1 166	1 000
Counterparty risk on trading positions	364	321
Short term claims on institutions and corporates	1 553	1 221
Retail	291	698
Institutions	841	661
Other exposure classes	78	73
Securitisation exposures	450	356
Equity risk – standardised approach	2 109	697
Listed equities	295	35
Unlisted equities	1 814	662
Market risk – portfolios subject to internal models approach	90	91
Interest rate	40	31
Foreign exchange	21	31
Commodities	1	1
Equities	28	28
Operational risk – standardised approach	1 226	1 163

Capital adequacy

R'million	31 March 2011	31 March 2010
Primary capital (Tier 1)	19 081	16 673
Less: deductions	(297)	(266)
	18 784	16 407
Tier 2 capital		
Aggregate amount	7 039	5 553
Less: deductions	(297)	(265)
	6 742	5 288
Total capital	25 526	21 695
Risk-weighted assets (banking and trading)	163 537	139 716
Credit risk – prescribed standardised exposure classes	122 751	115 429
Corporates	77 573	73 588
Secured on real estate property	12 270	10 525
Counterparty risk on trading positions	3 829	3 380
Short term claims on institutions and corporates	16 342	12 857
Retail	3 067	7 352
Institutions	8 852	6 955
Other exposure classes	818	772
Securitisation exposures	4 737	3 748
Equity risk – standardised approach	22 204	7 337
Listed equities	3 110	368
Unlisted equities	19 094	6 969
Market risk – portfolios subject to internal models approach	943	956
Interest rate	420	325
Foreign exchange	221	326
Commodities	9	13
Equities	293	292
Operational risk – standardised approach	12 902	12 246
Capital adequacy ratio	15.6%	15.5%
Tier 1 ratio	11.5%	11.7%
Capital adequacy ratio – pre operational risk	16.9%	17.0%
Tier 1 ratio – pre operational risk	12.5%	12.9%

Credit ratings

In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings as at 31 March 2011 are as follows:

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch	Individual rating	C	C
	Support rating	5	2
	Foreign currency		
	Short-term	F3	F3
	Long-term	BBB	BBB
	National		
	Short-term		F1 (zaf)
	Long-term		A+(zaf)
Moody's	Bank financial strength rating		C-
	Foreign currency		
	Short-term deposit rating		Prime-2
	Long-term deposit rating		A3
	National		
	Short-term		P1 (za)
	Long-term		Aa2 (za)
Global Credit Ratings	**Local currency**		
	Short-term rating		A1+(za)
	Long-term rating		AA-(za)

Internal audit

Internal audit activity is governed by an internal audit charter, approved by the group audit committees and reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

As a result of the regulatory responsibilities arising from the DLC structure, there are two group internal audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. Investec Bank (Australia) Limited has its own internal audit function reporting into Investec plc Internal Audit. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of Internal Audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee. They operate independently of executive management but have access to their local chief executive officer. The head of Investec plc Internal Audit is responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged in order to maximise efficiency. For administrative purposes the heads of Internal Audit also report to the global head of Corporate Governance and Compliance. The adopted functions comply with the international standards for the professional practice of internal auditing.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. High risk businesses and processes are audited annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the audit and compliance implementation forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment including the requirements of King III in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal audit resources are subject to review by the respective audit committees.

Internal Audit provides objective and independent assurance, via the group audit committees, to the management and board of Investec about risk management, control and governance processes and systems.

Compliance

Compliance risk is the risk that Investec fails to comply with the letter and spirit of statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust.

Investec is subject to extensive supervisory and regulatory governance in the countries in which we operate. The banking supervision department of the South African Reserve Bank (SARB) is our lead regulator. Significant business developments in any of our operations must be approved by SARB as well as by the business home country regulatory authority.

Under the DLC structure, Investec plc and Investec Limited maintain separate compliance structures. Each structure operates under terms of reference which are approved by its listed company board and audit committee. Each structure is headed by a group compliance officer who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their area of business. Each group compliance officer reports to the chief executive officer of their listed company, as well as to the global head of compliance, who is ultimately responsible for management of the compliance function of both listed groups. The group compliance officers have unrestricted access to the chairman of their respective audit committees.

The compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses.

Under these arrangements, compliance officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as compliance monitoring, are centralised and report directly to the group compliance officer.

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

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

Year in review

Anti-money laundering and terror financing

Compliance with the Financial Intelligence Centre Act (FICA), as amended, and the Protection of Constitutional Democracy against Terrorist and Related Activities Act is ongoing. The requirements provided by this regulation are set out in the group anti-money laundering and anti-terror financing policy which incorporates Investec's client acceptance policy.

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

The automated suspicious activity monitoring (ASAM) system, an enhancement to the AML system to address suspicious activity reporting, is operational in the higher risk businesses. ASAM uses a client's risk weighting together with profiles of the client's transactional behaviour across business unit systems to determine potentially suspicious activities. Such activities are further investigated to determine whether they need to be reported to the financial intelligence centre (FIC) as required by legislation. ASAM has been further enhanced to automate cash threshold reporting, a FICA requirement from December 2010.

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

In accordance with the amended FICA requirements, all Investec divisions that are 'accountable institutions' have been registered with the FIC. All cash threshold reports (CTRs) and suspicious transaction reports (STRs) are made in accordance with the accountable institution where they arose.

Consumer protection

Consumer protection regulation continues to be a key focus into 2011 with ongoing monitoring and reporting of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS), the National Credit Act (NCA) and, as of 1 April 2011, the Consumer Protection Act (CPA).

To better regulate the quality of financial advice, the FSB has introduced amendments to the FAIS 'fit and proper' requirements, which deal with the qualifications and experience needed to perform a representative or key individual role for a financial services provider (FSP). Compliance and Human Resources have developed a system to monitor the 'fit and proper' status of representatives and key individuals of all licensed Investec FSPs. The FSB has additionally introduced regulatory examinations which all FAIS representatives must pass to be deemed 'fit and proper'. Compliance has provided training material and exam readiness, facilitated through an external provider, to ensure that all representatives are appropriately qualified by the deadline date.

The CPA was enacted to promote a fair, accessible and sustainable marketplace for consumer products and services, promote responsible consumer behaviour, improve standards of consumer information and prohibit unfair marketing and business practices. Although the CPA came into effect on 1 April 2011, the regulations have not yet been finalised and as such the full impact of the CPA remains unclear.

Group Compliance continues to oversee the implementation of the NCA in the affected areas, which are limited.

Further drafts of the Protection of Personal Information Act (POPI) have been circulated to the industry for comment; however a promulgation date has still not been set. Once enacted POPI will have a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to the Investec group and subsidiaries.

Market conduct, including conflicts of interest

The conflicts index matrix for the South African business has been captured into a specific module of the enterprise risk assessor (ERA) system. As such, ERA now contains an outline of the types of conflicts applicable to the business, and an indication of which business areas they are applicable to and/or occur between, the current mitigations and controls in place to manage the respective conflicts, and a record indicating where enhanced controls are necessary. ERA COI provides an additional monitoring programme to enable conflicts of interest monitoring.

Amendments to the FAIS general code, with implementation dates between July 2010 and April 2011, highlighted and detailed the conflict of interest management requirements of FSPs. These include enhanced disclosures of existing conflicts, a board approved policy on how the FSP identifies, avoids and (where avoidance is not possible) manages conflicts and stringent provisions on what financial interests representatives can receive.

Risk-based monitoring

Annual reassessments continue to be performed for all relevant legislation loaded on the ERA. The reassessment programme includes a re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant. There has been continued focus on thematic monitoring across business areas and on streamlining the monitoring reports to management.

Training

The compliance awareness induction programme (CAIP) has continued to run successfully throughout the year. All new employees are required to attend the face to face version of CAIP and are required to complete and pass an online assessment. CAIP incorporates modules on:

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

eCAIP, the online version of the training module, was successfully launched in 2010. As expected, it has broadened both access to and the audience of the CAIP programme.

Corporate governance

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

Introduction

Investec Limited and Investec plc, together with their subsidiaries, are managed as a single economic enterprise as a result of the Dual Listed Companies (DLC) structure. Investec Bank Limited is a major subsidiary of Investec Limited and due to the DLC operational structure, compliance with many of the specific corporate governance requirements are at the group (DLC) level. Details of the group operational structure can be found on page 3.

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2011 annual report.

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

Investec's values and philosophies are the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength and conduct in order to promote and maintain trust.

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

Governance framework

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

The combined board committees of Investec Limited and Investec plc act as the board committees of Investec Bank Limited as well. A diagram of the group's governance framework can be found on page 31 and details of the various board committees can be found in the Investec group's 2011 annual report.

Board statement

The board of Investec Bank Limited takes comfort from the group's corporate governance process as well as the fact that the board of Investec Bank Limited includes common membership with the boards of Investec Limited and Investec plc. In addition certain members, who are only appointed to the board of Investec Bank Limited, represent the company at the audit committee, nomination and directors' affairs committee as well as the board risk and capital committee of the group.

The remuneration committee acts as the remuneration committee for the group and the statement of the remuneration committee, explaining the group's policies and processes, can be found on pages 103 to 110 and in the Investec group's 2011 annual report.

The board, management and employees of Investec Bank Limited are in full support of and are committed to complying with regulatory requirements and the King Code of Governance Principles for South Africa 2009 (King III). As a result of the non-redeemable, non-cumulative, non-participating preference shares being listed on the JSE Limited, we are committed to complying with the JSE listings' requirements as well.

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

King III

King III distinguishes between statutory provisions, voluntary principles and recommended practices. The King III Report provides best practice recommendations, whereas the King III Code provides the principles that all entities should apply.

The majority of the principles of King III are being applied by the group and is evidenced in the various sections of the Investec group's 2011 annual report. Prior to the March 2010 year end we undertook a detailed exercise to benchmark Investec's practices against the principles required under King III, and in order to demonstrate that the principles are being applied, we included a schedule referencing the relevant principles to sections in the Investec group's 2010 annual report. The 2011 schedule referencing the relevant principles to sections in the Investec group's 2011 annual report can be found on our website.

The following principles of King III are currently not being applied by Investec Bank Limited:

- Companies should disclose the remuneration of certain senior executives
  - We do disclose the remuneration of the executive directors and the group's remuneration process in the remuneration report on pages 103 to 110
- Sustainability reporting and disclosure should be independently assured
  - We do not believe that this is necessary given the nature of our business and level of sustainability reporting required
  - The audit committees have overseen the integrated report, including sustainability disclosures, which have been verified by the Internal Audit division.

Financial reporting and going concern

Disclosure regarding the group's financial reporting and going concern can be found in the Investec group's 2011 annual report. The same processes and principles have been applied by the board of Investec Bank Limited.

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

Further information on the bank's liquidity and capital position is provided on pages 71 to 77.

Board of directors

At the end of the year under review, the board comprised five executive directors and six non-executive directors. As set out below, the board concluded that the majority (i.e. four) of the non-executive directors are independent in terms of King III. Biographical details of the directors are set out on pages 99 to 101.

The names of the directors at the date of this report, the year of their appointment, their independence status and whether they will retire and seek re-election at the 2011 annual general meeting, are set out in the table below.

Composition of the board of Investec Bank Limited

	Date of appointment	Independent	Last elected	Retiring and seeking re-election in 2011
Executive directors				
S Koseff (chief executive officer)	30 June 1990	No	2010	No
B Kantor (managing director)	30 June 1990	No	2008	Yes
DM Lawrence (deputy chairman)	1 July 1997	No	2009	No
GR Burger (group risk and finance director)	30 June 1990	No	2008	Yes
B Tapnack	1 July 1997	No	2008	Yes
Non-executive directors				
F Titi (chairman)	3 July 2002	Yes	2009	No
SE Abrahams	1 July 1997	Yes	2010	No
MP Malungani	21 August 2001	No	2009	No
KXT Socikwa	18 July 2006	Yes	2010	No
PRS Thomas	1 July 1997	Yes	2009	Yes
CB Tshili	18 July 2006	No	2010	No

Roles and responsibilities

The board operates within the group's governance framework and is accountable for the performance and affairs of Investec Bank Limited. The board meets its objectives by reviewing and following corporate strategy as determined by the boards of Investec Limited and Investec plc.

The board has defined the limits of delegated authority within Investec Bank Limited. Together with the boards of Investec Limited and Investec plc, and through the group's board committees, it is responsible for assessing and managing risk policies and philosophies, ensuring appropriate internal controls, overseeing major capital expenditure, acquisitions and disposals, approving the establishment of businesses and approving the introduction of new products and services. In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

For further detail of the functions of the board of Investec Bank Limited, as included with the functions of the boards of Investec Limited and Investec plc, performed directly or through board committees, refer to the Investec group's 2011 annual report.

Independence

Chairman

Fani Titi resigned as board member and chairman of Tiso Group Limited (Tiso) during March 2008. Tiso has a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. In line with the independence requirements, the board concluded that Fani is now considered to be independent as it has been three years since his relationship with Tiso ended.

Relationships and associations

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

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

Tenure

The board does not believe that any current non-executive director has served on the board for a period which could materially interfere with their ability to act in Investec's best interests. Accordingly, the board has concluded that Peter Thomas and Sam Abrahams, despite having been directors of Investec Bank Limited for nine years or more, retain both financial independence and independence of character and judgement.

Notwithstanding the guidelines set out in King III, the board is of the view that the non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at risk management meetings

Sam Abrahams, Fani Titi and Peter Thomas regularly attend, by invitation, certain credit committees of the Investec group. The board considers their attendance at these committees to be beneficial in terms of developing an understanding of the day-to-day issues facing the business. This further allows Sam to discharge his responsibilities more effectively as chairman of the audit committees and Fani to discharge his responsibilities more effectively as chairman of Investec Bank Limited. The board concluded that Sam, Fani and Peter retain independence of character and judgement.

Skills, knowledge, experience and attributes of directors

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and our activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the DLC nominations and directors' affairs committee, to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

The board and individual directors' performance is formally evaluated annually based on recognised codes of corporate governance and covers areas of the board's processes and responsibilities, according to leading practice.

The performance evaluation process takes place both informally, through personal observations and discussions, and/or in the form of evaluation questionnaires. The results are incorporated into a matrix which is considered and discussed by the board.

The chairman holds regular one-on-one meetings with each director to discuss the results of the formal and informal evaluations and, in particular, to seek comments on strengths and developmental areas of the members, the chairman and the board as a whole. Individual training and development needs are discussed with each board member and any requests for training are communicated to the company secretary for implementation.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

Ongoing training and development

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with business unit and central services' heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risk.

Directors' ongoing training and development is a standing board agenda item, including updates on the various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

Company secretaries liaise with the directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

During the year under review there were a number of director workshops arranged outside board meetings.

Further disclosures

Refer to Investec's 2011 annual report for more information regarding:

- Independent advice
- Board committees – including the report prepared by the chairman of the audit committee
- External audit
- Regulation and supervision
- Communication, public disclosure obligations and stakeholder relations
- Dealings in securities
- Directors' dealings
- Values and code of conduct
- Sustainable business practices.

Chairman and chief executive officer

The roles of chairman and chief executive officer are distinct and separate with a clear, documented division of responsibilities that has been approved by the board. The chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that directors can perform their duties effectively.

Details of the chairman's external directorships are set out on page 100. The board does not consider that the chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the chairman makes sufficient time available to serve Investec effectively.

Board meetings

The board of Investec Bank Limited met five times during the financial year.

The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance.

Details of directors' attendance at board meetings:

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (chief executive officer)	5	5
B Kantor (managing director)	5	3
DM Lawrence (deputy chairman)	5	5
GR Burger (group risk and finance director)	5	5
B Tapnack	5	5
Non-executive directors		
F Titi (chairman)	5	5
SE Abrahams	5	5
MP Malungani	5	5
KXT Socikwa	5	3
PRS Thomas	5	5
CB Tshili	5	5

Re-election of board members

All directors are subject to re-election at the first annual general meeting following their appointment. Thereafter, in accordance with the Articles of Association of Investec Bank Limited, at least one third of the directors will retire at each annual general meeting. Retiring directors are subject to an assessment of their performance by the chairman and the nominations and directors' affairs committee before nomination for re-election and reappointment. Details of the directors standing for re-election at the 2011 annual general meeting are on page 95.

Company secretary

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

Management and succession planning

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

Each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision. Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The board risk and capital committee and audit committees assist the board in this regard. Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

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

Internal Audit reports any control recommendations to senior management, group Risk Management and the relevant audit committee. Appropriate processes, including review by the audit and compliance implementation forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed regularly by the executive risk review forum and by the board risk and capital committee. Material incidents and losses and significant breaches of systems and controls are reported to the board risk and capital committee and the audit committees. Reports from the audit committees, board risk and capital committee and risk and control functions are reviewed at each board meeting.

Biographical details of directors

	Age at 31 March 2011	Qualifications	Current directorships	Investec committee membership	Brief biography
Executive directors					
S Koseff (chief executive officer)	59	BCom CA(SA) H Dip BDP MBA	The Bidvest Group Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board risk and capital committee and DLC capital committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.
B Kantor (managing director)	61	CTA	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board risk and capital committee and DLC capital committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the trading division, marketing manager and chief operating officer.
DM Lawrence (deputy chairman)	59	BA (Econ) (Hons) MCom	Cadiz Holdings Limited and Corovest (Pty) Limited		Before joining Investec David was the managing director of FirstCorp Merchant Bank Limited. David joined Investec in 1996 as part of the executive management team.
GR Burger (group risk and finance director)	54	BAcc CA(SA) H Dip BDP MBL	A number of Investec subsidiaries	Board risk and capital committee and DLC capital committee	Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.
B Tapnack	64	BCom CA(SA)	Metaf Investment Holdings (Pty) Ltd, Metcash Trading Africa (Pty) Ltd and a number of Investec subsidiaries		Bradley joined Investec in 1986. Before Investec Bradley was the finance director of I Kuper & Co (Pty) Ltd. He was previously head of Finance at Investec and is currently global head of Compliance and Corporate Governance.

	Age at 31 March 2011	Qualifications	Current directorships	Investec committee membership	Brief biography
Non-executive directors					
F Titi (chairman)	48	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECI Limited, Tshiya Group (Pty) Limited, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd	Board risk and capital committee, DLC nominations and directors' affairs committee and global credit committee	Fani is chairman of Investec Bank Limited and was the former chairman of Tiso Group Limited.
SE Abrahams	72	FCA CA(SA)	Investec Bank Limited, The Foschini Group Limited and a number of Investec subsidiaries	DLC audit committee, Investec plc audit committee, Investec Limited audit committee, DLC nominations and directors' affairs committee, board risk and capital committee and DLC capital committee and global credit committee	Sam is a former international partner and South African managing partner of Arthur Andersen.
MP Malungani	53	BCom MAP LDP	Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited, Peu Group (Pty Limited and a number of Peu subsidiaries	Board risk and capital committee	Peter is chairman and founder of Peu Group (Pty) Limited.
KXT Socikwa	42	BCom LLB MAP IPBM (IMD)	RAM Transport (South Africa) (Pty) Ltd and The Brand Union (Pty) Ltd	Nominations and directors' affairs committee and board risk and capital committee	Karl is the chief executive officer of Transnet Port Terminals.

	Age at 31 March 2011	Qualifications	Current directorships	Investec committee membership	Brief biography
PRS Thomas	66	CA(SA)	Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies	DLC audit committee, Investec plc audit committee, Investec Limited audit committee, board risk and capital committee, DLC nominations and directors' affairs committee and global credit committee	Peter was the former managing director of The Unisec Group Limited.
CB Tshili	47	CA(SA)	A number of Peu group companies	Investec Limited audit committee	Busi is the financial director of Peu group.

5

Remuneration report

Remuneration report

The remuneration committee of the bank's parent, Investec Limited, comprises non-executive directors and is responsible for determining the overall reward packages of executive directors. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

Remuneration philosophy, principles and policies

Remuneration philosophy

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

We reward executive directors and employees for their contribution through:

- Payment of an industry competitive annual package (base salary and benefits);
- Variable performance reward (linked to our EVA model as discussed on pages 105 and 106);
- Ownership in the form of share incentive scheme participation.

We tend to look at the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure Investec's short and long-term success.

Remuneration policy general principles

Our remuneration policy is consistent with the following general principles:

- Remuneration policies, procedures and practices (collectively referred to as the 'remuneration policy') are consistent with, and promote, sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the bank
- Our remuneration policy is in line with the business strategy, objectives, values and long-term interests of Investec
- The payment of variable remuneration does not limit Investec's ability to maintain or strengthen its capital base
- The structure of all employees' remuneration is consistent with and promotes effective risk management.

Other key remuneration principles

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

- Total rewards comprise a fixed and variable component
- The fixed component of our rewards includes a base salary, pension and benefits and is set at median market levels to keep fixed cost elements low
- Variable rewards (a portion of which is deferred for senior employees) are largely EVA based (and underpinned by our risk appetite and capital utilisation as discussed on pages 83 to 87)
- Long-term share incentive participation ensures alignment with stakeholders
- Total compensation (base salary, pension, benefits and incentives) is targeted in normal market conditions to the relevant competitive market (see below) at upper quartile levels for superior performance
- We do not apply an upper limit on performance bonuses given our risk-based EVA approach and prefer to contain the fixed cost component of remuneration at modest levels

- The fixed component is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not morally bound to award variable rewards
- In addition, we operate a fully flexible incentive policy and are not contractually bound to award variable rewards. Investec has the ability to pay no performance bonuses should the performance of the group or individual employees require this.

In addition, our remuneration policy includes the following elements:

- We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations
- Our policy is designed to avoid conflicts of interest between Investec and its clients. Specific internal controls and processes are in place to prevent such conflicts of interest from occurring and posing a risk to the group on prudential grounds. In addition, no individual is involved in the determination of his/her own remuneration rewards
- Employees must undertake and not use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group Compliance maintains effective arrangements designed to ensure that employees comply with this policy.

Determination of remuneration levels

Qualitative and quantitative issues form an integral part of the determination of reward levels. Factors considered include:

- The performance of the overall firm, the specific business unit and the individual employee
- The employee's alignment to and adherence to our culture and values
- Attitude displayed towards risk consciousness, risk management and regulatory compliance
- Specific input from risk and compliance functions regarding concerns about the behaviour of individual employees or the riskiness of business undertaken
- The level of cooperation and collaboration fostered; the ability to grow and develop markets and client relationships; the development of staff; and the possible replacement cost of such employees.

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

- The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For executive directors, the FTSE 350 General Finance firms have provided the most appropriate benchmark to date
- For employees, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmark
- The committee also reviews on an individual basis data on other international banks with which we compete, including certain FTSE100 companies
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Components of remuneration

The reward package for executive directors and employees comprises:

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

The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

Base salary and other benefits

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

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives and corporate values and incorporates guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and don't encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that fixed pay levels are market driven and competitive so that we attract the most skilled talent in the market.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not. Our disclosure of executive directors' salaries on page 107 has been done on a gross basis (i.e. inclusive of pension fund contributions from the company).

The remuneration committee obtains industry benchmarking and specific advice around salary and performance bonus levels from its independent advisers in respect of the executive directors.

Annual performance bonus

All employees are eligible for an annual performance bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels.

Our EVA model: performance-linked and risk-adjusted remuneration

Our business strategy and associated risk appetite, together with effective capital utilisation, form the key cornerstones which underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk adjusted profits.

Our EVA model has been consistently applied for a period in excess of ten years and encompasses the following principals:

- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- Investec has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk committees. A detailed explanation of our capital management and allocation process is provided on pages 83 to 89.
- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, inter alia, for any unspecified or future risks not specifically identified in the capital planning process. Investec then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to competitive benchmarks for each product line
- In essence varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing incentive pool, as long as it is not achieved at the expense of capital efficiency

- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal by deal basis adding a level of risk consciousness to the pre-determined (and risk adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market. This ensures that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance as well as executives are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the firm; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial, risk (both current and future) and compliance based objectives. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the group's finance function and subject to audit as part of the year-end audit process
- Once the annual audit of the EVA pools is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving Human Resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management, before the DLC remuneration committee review and approval process.

The remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors and persons discharging managerial responsibilities. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

Deferral of performance awards

All performance awards exceeding a pre-determined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The entire deferred amount is awarded in the form of forfeitable share awards vesting in two equal tranches at the end of 12 months and 24 months. These awards are made in terms of our existing long-term incentive plans (refer below). The entire amount that is not deferred is payable up front in cash.

Employees who leave the employment of Investec prior to vesting of these deferred awards will lose their forfeitable shares, subject to the group's normal good leaver provisions and approval process in exceptional cases. The deferred share awards are subject to claw back of unpaid EVA where profits used to determine EVA bonuses are reversed in subsequent periods.

The current hurdle level is subject to review and for the 2012 financial year the deferral period will be extended to three years.

Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

Details with respect to the share option and long-term share incentive plans in operation and in which the directors are eligible to participate are provided on our website.

Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank Limited board and fees are also payable for any additional time committed to the bank including attendance at certain meetings. Furthermore, non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans.

Governance section

Compliance and governance statement

The remuneration report of the Investec group complies with the provisions of the South African King III Code of Corporate Practice and Conduct and the JSE Limited listing rules.

The remuneration committee has reviewed a vast survey of the new remuneration regulations and changing attitudes in all of our core geographies and concluded that Investec's long-standing fundamental remuneration philosophies are consistent with these requirements.

Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent group-wide, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects. In those cases, the higher requirements are applied to that part of the group. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

Directors' annual remuneration Audited information

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2011:

Name	Salaries, directors' fees and other remuneration 2011 R	Annual bonus 2011* R	Total remuneration 2011 R	Salaries, directors' fees and other remuneration 2010 R	Annual bonus 2010 R	Total remuneration 2010 R
Executive directors						
S Koseff (chief executive officer)	1 421 641	3 347 468	4 769 109	1 544 808	2 971 200	4 516 008
B Kantor (managing director)	821 596	2 030 797	2 852 393	515 961	4 902 480	5 418 441
GR Burger (group risk and finance director)	1 675 000	7 750 000	9 425 000	1 525 000	7 200 000	8 725 000
DM Lawrence (deputy chairman)	2 299 500	4 275 000	6 574 500	2 089 800	4 275 000	6 364 800
B Tapnack	1 500 000	2 850 000	4 350 000	1 368 000	2 850 000	4 218 000
Total in Rands	7 717 737	20 253 265	27 971 002	7 043 569	22 198 680	29 242 249
Non-executive directors						
F Titi (chairman)	1 866 017		1 866 017	2 030 289		2 030 289
SE Abrahams	1 933 929		1 933 929	1 933 928		1 933 928
MP Malungani	543 293		543 293	770 289		770 289
RMW Dunne**	–		–	131 250		131 250
KXT Socikwa	330 000		330 000	260 000		260 000
PRS Thomas	968 094		968 094	1 136 714		1 136 714
B Tshili	265 000		265 000	250 000		250 000
Total in Rands	5 906 333	–	5 906 333	6 512 470	–	6 512 470
Total in Rands	13 624 070	20 253 265	33 877 335	13 556 039	22 198 680	35 754 719

* *As discussed on page 106, a portion of the bonus is received in cash and a portion is payable in the form of forfeitable share awards over a two year deferral period.*

** *RMW Dunne resigned as director on 12 August 2009.*

Directors' shareholdings, options and long-term incentive awards Audited information

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2011.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2011

	Beneficial and non-beneficial interest Investec plc[1]		% of shares in issue[1]	Beneficial and non-beneficial interest Investec Limited[1]		% of shares in issue[1]
Name	1 April 2010	31 March 2011	Investec plc 31 March 2011	1 April 2010	31 March 2011	Investec Limited 31 March 2011
Executive directors						
S Koseff (Chief Executive Officer)[4]	4 839 133	4 839 133	0.9%	1 809 330	1 809 330	0.7%
B Kantor (Managing Director)[5]	48 525	48 525	–	4 863 500	3 801 000	1.4%
GR Burger (Group Risk and Finance Director)[6]	2 402 135	2 402 135	0.4%	1 037 076	1 037 076	0.4%
DM Lawrence (Deputy Chairman)	959 255	959 255	0.2%	200 590	58 313	–
B Tapnack	89 432	75 595	–	40 000	57 568	–
Total number	8 338 480	8 324 643	1.5%	7 950 496	6 763 287	2.5%
Non-executive directors						
SE Abrahams	20 000	20 000	–	–	–	–
MP Malungani[7]	–	–	–	3 288 890	3 288 890	1.2%
KXT Socikwa	–	–	–	250	250	–
PRS Thomas	415 855	195 800	0.1%	180 955	500	–
Total number	435 855	215 800	0.1%	3 470 095	3 289 640	1.2%
Total number	8 774 335	8 540 443	1.6%	11 420 591	10 052 927	3.7%

1. *The issued share capital of Investec plc and Investec Limited at 31 March 2011 was 537.2 million shares and 272.8 million shares respectively.*
2. *The market price of an Investec plc share as at 31 March 2011 was £4.78 (2010: £5.39), ranging from a low of £4.29 to a high of £5.50 during the financial year.*
3. *The market price of an Investec Limited share as at 31 March 2011 was R52.80 (2010: R62.49), ranging from a low of R49.49 to a high of R65.50 during the financial year.*

   In addition to their shareholdings reflected in the table above, some of the directors have an interest in options over Investec Limited shares, the details of which are as follows:
4. *S Koseff: European call options over 139 005 (2010: 146 232) Investec Limited shares at a strike of R54.11 (2010: R51.44) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted from time to time in terms of the dividend adjustment provision in the option agreement.*
5. *B Kantor: European call options over 454 288 (2010: 477 908) Investec Limited shares at a strike of R53.13 (2010: R50.50) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted for both options from time to time in terms of the dividend adjustment provision in the option agreement.*
6. *GR Burger: European call options over 56 467 (2010: 59 403) Investec Limited shares at a strike of R54.11 (2010: R51.44) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted from time to time in terms of the dividend adjustment provision in the option agreement.*
7. *In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based entrepreneurship development trust and an employee share trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the chairman of Peu.*

Directors' interest in preference shares as at 31 March 2011 Audited information

Name	Investec Bank Limited 1 April 2010	Investec Bank Limited 31 March 2011	Investec Limited 1 April 2010	Investec Limited 31 March 2011	Investec plc 1 April 2010	Investec plc 31 March 2011
Executive directors						
S Koseff	4 000	4 000	3 000	3 000	101 198	101 198
DM Lawrence	4 000	4 000	5 400	5 400	–	–
B Tapnack	2 000	2 000	3 800	3 800	9 058	9 058

- *The market price of an Investec Bank Limited preference share as at 31 March 2011 was R98.00 (2010: R98.70)*
- *The market price of an Investec Limited preference share as at 31 March 2011 was R90.70 (2010: R91.00)*
- *The market price of an Investec plc preference share as at 31 March 2011 was R51.31 (2010: R47.05).*

Directors' interest in options as at 31 March 2011 Audited information

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2010	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2011	Period exercisable
Executive directors							
B Kantor	20 Dec 2002	£1.59	9 455	–	–	9 455	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012

Investec Limited shares

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

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2011 was £4.78 (2010: £5.39), ranging from a low of £4.29 to a high of £5.50 during the financial year. The market price of an Investec Limited share as at 31 March 2011 was R52.80 (2010: R62.49), ranging from a low of R49.49 to a high of R65.50 during the financial year.

Directors' interest in long-term incentive plans as at 31 March 2011 Audited information

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2010	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2011	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
DM Lawrence	20 Jun 2005	Nil	37 500	(37 500)	–	–	R55.68	R2 088 041	
	25 Jun 2007	Nil	100 000	–	–	100 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
	1 Jul 2010	Nil	–	–	100 000	100 000	–	–	75% is exercisable on 1 July 2013 and 25% on 1 Jul 2015

These options are not subject to any performance conditions.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2011 Audited information

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2010	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2011	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
S Koseff	21 Nov 2005	Nil	187 500	187 500	–	–	£4.63	£866 277	
	25 Jun 2009	Nil	300 000	–	–	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
	1 Jul 2010	Nil	–	–	750 000	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
B Kantor	21 Nov 2005	Nil	187 500	187 500	–	–	£4.54	£851 250	
	25 Jun 2009	Nil	300 000	–	–	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
	1 Jul 2010	Nil	–	–	750 000	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
GR Burger	21 Nov 2005	Nil	150 000	150 000	–	–	£4.55	£682 675	
	25 Jun 2007	Nil	150 000	–	–	150 000	–	–	75% is exercisable on 25 Jun 2011* and the remaining 25% on 25 Jun 2012
	25 Jun 2009	Nil	300 000	–	–	300 000	–	–	75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014
	1 Jul 2010	Nil	–	–	750 000	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015

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

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

* The performance conditions in respect of the award made to GR Burger on 25 June 2007 have not been met and accordingly the award will be forfeited on 25 June 2011.

Financial statements

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Investec Bank Limited, comprising the balance sheets at 31 March 2011, and the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa 1973, as amended and the Companies Act 71 of 2008, as applicable, which came into effect on 1 May 2011.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

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

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Investec Bank Limited, as identified in the first paragraph, were approved by the board of directors on 15 June 2011 and signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

Declaration by the company secretary

In terms of section 268G (d) of the Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, Investec Bank Limited has lodged with the registrar of companies, for the financial year ended 31 March 2011, all such returns as are required of a public company in terms of the Companies Act, 61 of 1973, as amended, and that all such returns are true, correct and up to date.

The South African Companies Act, 71 of 2008, as amended, came into operation on 1 May 2011. The annual financial statements of Investec Bank Limited for the financial year ended 31 March 2011 have been prepared in accordance with the South African Companies Act, 61 of 1973, as amended.

Benita Coetsee
Company Secretary

15 June 2011

Independent auditor's report to the members of Investec Bank Limited

Report on the annual financial statements

We have audited the accompanying group annual financial statements and the annual financial statements of Investec Bank Limited, which comprise the consolidated and separate balance sheets as at 31 March 2011, and the consolidated and separate income statements and consolidated and separate statements of comprehensive income, consolidated and separate changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 115 to 187.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, 1973, as amended and the Companies Act 71 of 2008, as applicable, which came into effect 1 May 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Bank Limited at 31 March 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa,1973, as amended and the Companies act 71 of 2008, as applicable, which came into effect 1 May 2011.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per Gavin De Lange
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2011

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director

15 June 2011

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

Directors' report

Nature of business

Investec Bank Limited is a specialist bank providing a diverse range of financial products and services, including Private Banking, Investment Banking and Capital Markets, to a niche client base in South Africa and Mauritius.

Financial results

The group and company financial results of Investec Bank Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2011.

A review of the operations for the year can be found on pages 10 to 26.

Authorised and issued share capital

Details of the share capital are set out in note 33 to the financial statements.

Ordinary dividends

The following dividends were declared and paid during the year:

- R120 000 000 was declared and paid on 14 June 2010
- R460 000 000 was declared on 14 July 2010 and paid on 23 July 2010
- R490 000 000 was declared on 30 November 2010 and paid on 2 December 2010.

Preference dividends

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

Preference dividend number 15 for the six months ended 30 September 2010 amounting to 373.87 cents per share was declared to members holding preference shares registered on 3 December 2010 and was paid on 14 December 2010.

Preference dividend number 16 for the six months ended 31 March 2011 amounting to 341.61 cents per share was declared to members holding preference shares registered on 17 June 2011 and will be paid on 30 June 2011.

Directors

Details of the directors are reflected on page 95 and pages 99 to 101.

Messrs GR Burger, B Kantor, B Tapnack and PRS Thomas retire by rotation in terms of the Memorandum of Incorporation and being eligible, offer themselves for re-election.

Directors' shareholdings

No director holds any ordinary shares in Investec Bank Limited.

Directors' shareholdings in Investec Limited and Investec plc and in Investec Bank Limited's preference shares are set out on pages 108 to 110.

Directors' remuneration

Directors' remuneration is disclosed on pages 103 to 110.

Company secretary and registered office

The company secretary is Benita Coetsee.

The registered office is c/o Company Secretarial, Investec Limited, 100 Grayston Drive, Sandown, Sandton, 2196.

Audit committee

An audit committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibilities of the audit committee are set out in the Investec group's 2011 annual report.

Auditors

KPMG Inc. and Ernst & Young Inc. have expressed their willingness to continue in office as joint auditors. A resolution to reappoint KPMG Inc. and Ernst & Young Inc. as joint auditors will be proposed at the annual general meeting taking place on 4 August 2011.

Holding company

The bank's holding company is Investec Limited.

Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

Subsidiary and associated companies

Details of principal subsidiary companies are reflected on page 174 and the associate companies on page 170.

The interest of the company in the aggregate profits after taxation of its subsidiary companies is R392.6 million (2010: R762 million) and its share in aggregate losses is R76.1 million (2010: R161.million).

Special resolution

At the annual general meeting of members held on 12 August 2010, a special resolution was passed in terms of which a general approval was granted for the acquisition by Investec Bank Limited or its subsidiaries of ordinary shares and non-redeemable, non-cumulative, non-participating preference shares issued by Investec Bank Limited.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with the applicable South African law and International Financial Reporting Standards. These policies are set out on pages 125 to 137.

Creditor payment policy

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

Employees

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

Further information is provided in the Investec group's 2011 annual report.

Empowerment and transformation

In South Africa, transformation and black economic empowerment remain high on the corporate agenda. Our approach is to utilise our own entrepreneurial expertise to foster the creation of new black entrepreneurial platforms, and continue to be one of the prime sources of empowerment financing. We also recognise the need for our own internal transformation and are bringing about greater representivity within our work place by creating black entrepreneurs within the organisation.

Environment

Investec Bank Limited is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Further information is provided in the Investec group's 2011 annual report.

Subsequent events

There are no material facts or circumstances which occurred between the balance sheet date and the date of this report that would require adjustment or disclosure in the annual financial statements.

Benita Coetsee
Company Secretary

15 June 2011

Income statement

For the year to 31 March R'million	Notes	Group 2011	Group 2010*	Company 2011	Company 2010*
Interest income		14 932	15 530	13 954	14 418
Interest expense		(11 062)	(11 599)	(10 570)	(11 051)
Net interest income		3 870	3 931	3 384	3 367
Fee and commission income		948	921	905	862
Fee and commission expense		(39)	(49)	(34)	(40)
Principal transactions	2	1 670	1 629	1 662	1 238
Operating loss from associates		(17)	(47)	–	–
Other operating income	3	15	–	–	–
Other income		2 577	2 454	2 533	2 060
Total operating income before impairment losses on loans and advances		6 447	6 385	5 917	5 427
Impairment losses on loans and advances	18	(852)	(858)	(832)	(794)
Operating income		5 595	5 527	5 085	4 633
Operating costs	4	(3 181)	(3 001)	(2 995)	(2 852)
Profit before taxation		2 414	2 526	2 090	1 781
Taxation	6	(132)	(520)	(122)	(374)
Profit after taxation		2 282	2 006	1 968	1 407
Loss attributable to non-controlling interests		4	1	–	–
Earnings attributable to shareholders		2 286	2 007	1 968	1 407

* *As restated for restatements detailed in the accounting policies of the financial statements.*

Statement of comprehensive income

For the year to 31 March R'million	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Profit after taxation		2 282	2 006	1 968	1 407
Other comprehensive income:					
Cash flow hedge movements taken directly to other comprehensive income	6	82	18	82	20
Fair value movements on available-for-sale assets taken directly to other comprehensive income	6	23	29	23	23
Gain on realisation of available-for-sale assets recycled through the income statement	6	–	(13)	–	(13)
Foreign currency adjustments on translating foreign operations	6	(128)	(359)	1	–
Total comprehensive income		2 259	1 681	2 074	1 437
Total comprehensive income attributable to non-controlling interests		(4)	(1)	–	–
Total comprehensive income attributable to ordinary shareholders		2 263	1 682	2 074	1 437
Total comprehensive income		2 259	1 681	2 074	1 437

Balance sheet

At 31 March R'million	Notes	Group		Company	
		2011	2010*	2011	2010*
Assets					
Cash and balances at central banks		6 813	3 660	6 768	3 617
Loans and advances to banks		4 918	13 245	4 021	10 550
Cash equivalent advances to customers		5 829	6 455	5 829	6 455
Reverse repurchase agreements and cash collateral on securities borrowed	13	8 157	3 776	8 157	3 776
Trading securities	14	44 352	36 375	44 246	37 045
Derivative financial instruments	15	11 487	7 829	11 230	7 485
Investment securities	16	14 214	3 605	14 130	3 503
Loans and advances to customers	18	115 223	111 919	108 628	105 336
Securitised assets	19	2 176	3 531	905	852
Interests in associated undertakings	20	135	180	–	–
Deferred taxation assets	21	42	22	15	–
Other assets	22	981	924	784	848
Property and equipment	23	286	164	281	157
Investment properties	24	5	5	1	1
Intangible assets	25	108	96	106	92
Loans to group companies	26	6 836	6 093	8 341	8 037
Investment in subsidiaries	27	–	–	1 007	1 154
		221 562	197 879	214 449	188 908
Liabilities					
Deposits by banks		10 956	9 554	10 273	8 827
Derivative financial instruments	15	10 495	7 144	10 495	7 145
Other trading liabilities	28	389	454	389	454
Repurchase agreements and cash collateral on securities lent	13	10 733	6 281	10 733	6 281
Customer accounts (deposits)		154 772	143 390	152 350	139 925
Debt securities in issue	29	2 489	2 758	1 563	1 559
Liabilities arising on securitisation	19	2 174	2 707	905	852
Current taxation liabilities	30	1 024	857	1 024	849
Deferred taxation liabilities	21	349	444	201	270
Other liabilities	31	2 478	2 495	2 366	2 319
		195 859	176 084	190 299	168 481
Subordinated liabilities	32	6 866	5 341	6 866	5 341
		202 725	181 425	197 165	173 822
Equity					
Ordinary share capital	33	27	25	27	25
Share premium	34/35	11 845	10 530	11 845	10 530
Other reserves		(100)	(156)	124	18
Retained income		7 065	6 051	5 288	4 513
Shareholders' equity excluding non-controlling interests		18 837	16 450	17 284	15 086
Non-controlling interests	36	–	4	–	–
Total equity		18 837	16 454	17 284	15 086
Total liabilities and equity		221 562	197 879	214 449	188 908

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

Statement of changes in equity

R'million	Ordinary share capital	Share premium
Group		
At 1 April 2009	22	9 056
Movement in reserves 1 April 2009 – 31 March 2010		
Foreign currency adjustments on translating foreign operations	–	–
Profit after taxation	–	–
Cash flow hedge movements taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	–	–
Total comprehensive income for the year	–	–
Issue of ordinary shares	3	1 447
Issue of perpetual preference shares	–	27
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from retained income to regulatory general risk reserve	–	–
At 31 March 2010	25	10 530
Movement in reserves 1 April 2010 – 31 March 2011		
Foreign currency adjustments on translating foreign operations	–	–
Profit after taxation	–	–
Cash flow hedge movements taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Total comprehensive income for the year	–	–
Issue of ordinary shares	2	1 298
Issue of perpetual preference shares	–	17
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from retained income to regulatory general risk reserve	–	–
At 31 March 2011	27	11 845

Regulatory general risk reserve (Other reserves)	Available-for-sale reserve (Other reserves)	Cash flow hedge reserve (Other reserves)	Foreign currency reserve (Other reserves)	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total equity
112	(18)	2	5	5 011	14 190	5	14 195
–	–	–	(359)	–	(359)	–	(359)
–	–	–	–	2 007	2 007	(1)	2 006
–	–	18	–	–	18	–	18
–	29	–	–	–	29	–	29
–	(13)	–	–	–	(13)	–	(13)
–	16	18	(359)	2 007	1 682	(1)	1 681
–	–	–	–	–	1 450	–	1 450
–	–	–	–	–	27	–	27
–	–	–	–	(750)	(750)	–	(750)
–	–	–	–	(149)	(149)	–	(149)
68	–	–	–	(68)	–	–	–
180	(2)	20	(354)	6 051	16 450	4	16 454
–	–	–	(128)	–	(128)	–	(128)
–	–	–	–	2 286	2 286	(4)	2 282
–	–	82	–	–	82	–	82
–	23	–	–	–	23	–	23
–	23	82	(128)	2 286	2 263	(4)	2 259
–	–	–	–	–	1 300	–	1 300
–	–	–	–	–	17	–	17
–	–	–	–	(1 073)	(1 073)	–	(1 073)
–	–	–	–	(120)	(120)	–	(120)
79	–	–	–	(79)	–	–	–
259	21	102	(482)	7 065	18 837	–	18 837

Statement of changes in equity (continued)

R'million	Ordinary share capital	Share premium
Company		
At 1 April 2009	22	9 056
Movement in reserves 1 April 2009 – 31 March 2010		
Foreign currency adjustments on translating foreign operations	–	–
Profit after taxation	–	–
Cash flow hedge movements taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Gain on realisation of available-for-sale assets recycled through the income statement	–	–
Total comprehensive income for the year	–	–
Issue of ordinary shares	3	1 447
Issue of perpetual preference shares	–	27
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
At 31 March 2010	25	10 530
Movement in reserves 1 April 2010 – 31 March 2011		
Foreign currency adjustments on translating foreign operations	–	–
Profit after taxation	–	–
Cash flow hedge movements taken directly to other comprehensive income	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–
Total comprehensive income for the year	–	–
Issue of ordinary shares	2	1 298
Issue of perpetual preference shares	–	17
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
At 31 March 2011	27	11 845

	Other reserves				
	Available -for-sale reserve	Cash flow hedge reserve	Foreign currency reserve	Retained income	Total equity
	(11)	–	(1)	4 005	13 071
	–	–	–	–	–
	–	–	–	1 407	1 407
	–	20	–	–	20
	23	–	–	–	23
	(13)	–	–	–	(13)
	10	20	–	1 407	1 437
	–	–	–	–	1 450
	–	–	–	–	27
	–	–	–	(750)	(750)
	–	–	–	(149)	(149)
	(1)	20	(1)	4 513	15 086
	–	–	1	–	1
	–	–	–	1 968	1 968
	–	82	–	–	82
	23	–	–	–	23
	23	82	1	1 968	2 074
	–	–	–	–	1 300
	–	–	–	–	17
	–	–	–	(1 073)	(1 073)
	–	–	–	(120)	(120)
	22	102	–	5 288	17 284

Cash flow statement

For the year to 31 March R'million	Notes	Group		Company	
		2011	2010	2011	2010
Cash flows from operating activities					
Operating profit adjusted for non-cash items	38	3 389	3 553	3 014	2 694
Taxation paid		(80)	(339)	(31)	(304)
Increase in operating assets	38	(20 791)	(17 159)	(22 527)	(17 152)
Increase in operating liabilities	38	19 974	15 313	21 712	15 821
Net cash inflow from operating activities		2 492	1 368	2 168	1 059
Cash flows from investing activities					
Net investment in property and equipment and intangible assets		(229)	(127)	(230)	(119)
Net investment in associates		3	–	–	–
Net decrease in investment in subsidiaries		–	–	147	*313
Net cash (outflow)/inflow from investing activities		(226)	(127)	(83)	*194
Cash flows from financing activities					
Proceeds on issue of shares, net of related costs		1 317	1 477	1 317	1 477
Dividends paid to ordinary shareholders		(1 073)	(750)	(1 073)	(750)
Dividends paid to perpetual preference shareholders		(120)	(149)	(120)	(149)
Net inflow on subordinated debt raised		1 525	250	1 525	250
Net cash inflow from financing activities		1 649	828	1 649	*828
Effects of exchange rates on cash and cash equivalents		(21)	(47)	–	–
Net increase in cash and cash equivalents		3 894	2 022	3 734	2 081
Cash and cash equivalents at the beginning of the year		10 574	8 552	10 531	8 450
Cash and cash equivalents at the end of the year		14 468	10 574	14 265	10 531
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		6 813	3 660	6 768	3 617
On demand loans and advances to banks		1 826	459	1 668	459
Cash equivalent advances to customers		5 829	6 455	5 829	6 455
Cash and cash equivalents at the end of the year		14 468	10 574	14 265	10 531

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers (all of which have a maturity profile of less than three months).

Accounting policies

Basis of presentation

Both group and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The group and company financial statements are prepared in accordance with AC500 standards as issued by the Accounting Practices Board, in addition to IFRS, the Companies Act 61 of 1973 and the Companies Act 71 of 2008 (as applicable) which came into effect on 1 May 2011.

The group and company financial statements have been prepared on an historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting, liabilities for cash-settled share-based payments that have been measured at fair value.

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

Amendments, resulting from improvements to IFRS, to the following standards did not have any impact on the accounting policies, financial position or performance of the group and company:

- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended), effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

The amended Business Combinations standard requires that acquisition costs incurred are expensed immediately. This will affect the accounting for all business combinations that occur post 1 April 2010.

- IFRS 2 Share-based Payment: Group Cash-settled Share-Based Payment Transactions, effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement - eligible hedged items, effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners, effective 1 July 2009.
- Improvements to IFRSs - issued in May 2008
  - IFRS 5 Non-current Assets Held-for-sale and Discontinued Operations, effective 1 January 2010.
- Improvements to IFRSs - issued in April 2009
  - IFRS 2 Share-Based Payment
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 36 Impairments of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 32 Financial Instruments: Presentation - classification of rights issues, effective 1 February 2010
- IFRIC 9 Reassessment of Embedded Derivatives.

Presentation of information

Disclosure under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management and corporate governance section on pages 28 to 90.

Certain disclosures required under IAS 24, Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 107 to 110.

Restatements

Net interest income

On review, it was detected that the gross interest income and expense, as reported at 31 March 2010, had not appropriately netted certain intergroup and company interest income and expense between the two line items. Whilst net interest income was correctly reported, the restatement to interest income and expense is noted below:

For the year to 31 March 2010 R'million	Restated	As previously reported	Changes to previously reported
Group			
Interest income	15 530	23 494	(7 964)
Interest expense	(11 599)	(19 563)	7 964
Net interest income	3 931	3 931	–
Company			
Interest income	14 418	22 224	(7 806)
Interest expense	(11 051)	(18 857)	7 806
Net interest income	3 367	3 367	–

The above change had no impact on the income statement (other than as noted above), balance sheet or cash flow statement.

Reclassifications

The bank had previously included cumulative redeemable preference shares as a component of other liabilities. For improved disclosure, the presentation has been amended to include the cumulative redeemable preference shares as a component of debt securities in issue.

31 March R'million	Restated	As previously reported	Changes to previously reported
2010			
Debt securities in issue	2 758	1 559	1 199
Other liabilities	2 495	3 694	(1 199)
2009			
Debt securities in issue	2 270	954	1 316
Other liabilities	2 368	3 684	(1 316)

The above change had no impact on the income statement, balance sheet (other than as noted above) or cash flow statement.

This change in presentation had no impact on overall equity, assets and liabilities.

The company had previously included net (increase)/decrease in investment in subsidiaries in cash flows from financing activities. This presentation has been amended to include this as a component of net cash flows from investing activities

For the year to 31 March 2010 R'million	Restated	As previously reported	Changes to previously reported
Net cash (outflow)/inflow from investing activities	194	(119)	313
Net cash inflow from financing activities	828	1 141	(313)
Net increase in cash and cash equivalents	2 081	2 081	–

The above change had no impact on the group cash flow statement.

Basis of consolidation

All subsidiaries and special purpose vehicles, in which the group holds more than one half of the voting rights or which it has the ability to control (either directly or in substance), are consolidated from the effective dates of acquisition (that is from when control exists) up to the effective dates of loss of control, except entities which are classified as non-current assets held-for-sale. Subsidiaries classified as non-current assets held-for-sale are consolidated in one line item as discontinued operations.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

The group financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post acquisition changes in the group's share of the net assets of the associate. The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

In circumstances where associates or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

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

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

For further detail on the group and company's segmental reporting basis refer to pages 5 to 8 of the "overview of the activities of Investec Bank Limited' section of the annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately and included in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating units retained.

Share-based payments to employees

The group and company engage in equity-settled share-based payments and in certain limited circumstances cash-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group and company's best estimate of the number of equity instruments that will ultimately vest. The increase in equity is offset by a payment made to the holding company of Investec Bank Limited for the provision of the equity-settled shares.

The liability is recognised at the current fair value at each balance sheet date, based on an estimate of the number of instruments that will eventually vest with the change in fair value being recognised in the income statement. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the income statement until such time as the liability is settled.

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

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

These consolidated financial statements are presented in South African Rand, which is both the group's presentation currency and functional currency for the majority of the group except Mauritius which is USD.

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

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

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

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

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

Revenue recognition

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

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is recognised at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

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

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

Fee and commission income includes fees earned from providing advisory services as well as portfolio management. All such fee and commission income is recognised as revenue when the related services are performed.

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

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

Funding costs allocated against trading profits are disclosed in note 2.

Included in other operating income are gains on realisation of dealing properties and revenue from consolidated private equity investments. Operating costs associated with these investments are included in administration expenses.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in fair value. All other transaction costs are recorded in the income statement immediately.

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

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

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

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

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

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

Transaction costs incurred on financial instruments held at fair value through profit or loss are recognised immediately in the income statement.

Held-to-maturity financial assets

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

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

Loans and receivables

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

- Those that the group and company intends to trade in, which are classified as held-for-trading and those that the group and company designates as at fair value through profit or loss
- Those that the group and company designates as available-for-sale
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are accounted for at fair value through profit or loss.

Subsequent to initial recognition loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows, through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

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

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not associates, joint ventures or subsidiaries of the group and company. Furthermore, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in other comprehensive income. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement when the right of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

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

Financial liabilities

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

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

Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss, are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is deemed appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. The difference arising is recognised in the income statement over the life of the transaction, or when inputs become observable, or when the transaction is effectively closed out.

Subsequent to initial recognition the following financial instruments are measured at fair value:

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

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations.

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

"Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using the data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group and company would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group has raised a collective impairment allowance at a central level (within the Group Services and Other business segment) that takes into account macro economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group and company. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group and company's rights to cash flows has expired or when the group and company has transferred its rights to cash flows relating to the financial assets and either (a) the group and company has transferred substantially all the risk and rewards associated with the financial assets or (b) the group and company has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

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

When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group company may reclassify, in certain circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

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

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

Derivative instruments transacted as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Hedge accounting

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

- At inception of the hedge the group and company formally document the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument, relating to the effective portion is initially recognised in other comprehensive income and is included in the initial cost of any asset/liability recognised, or in all other cases, released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in principal transactions.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold; terminated or exercised; when the hedged item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

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

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by the board of directors.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lenders return, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

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

Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition the liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee when settlement has become probable. Subsequent to initial measurement all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

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

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where Investec is the lessor and included in liabilities where Investec is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

Property and equipment

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

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

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

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

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

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

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when there is an indication of impairment.

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group and company.

Investment property

Properties held by the group and company which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under 'principal transactions'.

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

Dealing properties

Dealing properties are carried at the lower of cost and net realisable value.

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

As these are not assets of the group nor company, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

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

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

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

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

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

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Employee benefits

The group and company operate various defined contribution schemes.

In respect of the defined contribution scheme all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The group and company have no liabilities for other post retirement benefits.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently three to eight years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group and company would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not amortised, however they are tested for impairment on an annual basis.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

New standards

IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first and second phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39, and impairment methodology. The standard is effective for annual periods beginning on or after 1 January 2013. In the subsequent and final phase, the board will address hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the group and company's financial assets. The group and company are currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the group and company at the date of adoption, and it is not practical to quantify the effect.

The standard is effective for the group and company for the year commencing 1 April 2013.

Revised IFRS 7 – Financial Instruments: Disclosures

The main changes to the standard that affects the group and company's current policies is the disclosure requirements in respect of derecognition of financial assets. The revised standard requires detailed disclosure per class of financial asset including the nature, risk and rewards exposure and the carrying amount of relevant assets.

The standard will be effective for the group and company for the year commencing 1 April 2011 and is not expected to have a significant impact on the group and company.

IAS 24 – Related Parties

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The group and company do not expect any impact on their financial position or performance. Early adoption is permitted for either the partial exemption for government related entities or for the entire standard.

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

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the group and company.

The interpretation will be effective for the group and company for the year commencing 1 April 2011.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 January 2011. The amendments are listed below.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes.

The group and company, however, expect no impact from the adoption of the amendments on its financial position or performance.

Key management assumptions

In preparation of the financial statements the group and company make estimations and apply judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments and traded instruments. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 14 (trading securities) and note 16 (investment securities) with further analysis contained in the risk management section on pages 61 to 66 which provides further detail on the market and equity risk
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature. Refer to pages 32 to 60 in the risk management and corporate governance section for further analysis of impairments
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

Notes to the financial statements

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
1. Segmental analysis					
Group					
Business analysis 2011					
Interest income	13 501	84	13 004	(11 657)	14 932
Interest expense	(11 611)	(22)	(11 852)	12 423	(11 062)
Net interest income	1 890	62	1 152	766	3 870
Fee and commission income	489	129	347	(17)	948
Fee and commission expense	(20)	4	(21)	(2)	(39)
Principal transactions	139	869	590	72	1 670
Operating loss from associates	–	–	–	(17)	(17)
Other operating income	1	–	–	14	15
Other income	609	1 002	916	50	2 577
Total operating income before impairment losses on loans and advances	2 499	1 064	2 068	816	6 447
Impairment losses on loans and advances	(1 040)	3	154	31	(852)
Operating income	1 459	1 067	2 222	847	5 595
Operating costs	(1 412)	(276)	(1 003)	(490)	(3 181)
Profit before taxation	47	791	1 219	357	2 414
Cost to income ratio	56.5%	25.9%	48.5%	60.0%	49.3%
Total assets (excluding intergroup)	84 542	5 477	119 241	5 466	214 726
Business analysis 2010					
Interest income	15 036	55	14 107	*(13 668)	*15 530
Interest expense	(13 310)	(7)	(12 835)	*14 553	*(11 599)
Net interest income	1 726	48	1 272	885	3 931
Fee and commission income	388	122	397	14	921
Fee and commission expense	(9)	14	(35)	(19)	(49)
Principal transactions	62	597	284	686	1 629
Operating loss from associates	–	–	–	(47)	(47)
Other operating income	–	–	–	–	–
Other income	441	733	646	634	2 454
Total operating income before impairment losses on loans and advances	2 167	781	1 918	1 519	6 385
Impairment losses on loans and advances	(492)	(29)	(113)	(224)	(858)
Operating income	1 675	752	1 805	1 295	5 527
Operating costs	(1 339)	(219)	(967)	(476)	(3 001)
Profit before taxation	336	533	838	819	2 526
Cost to income ratio	61.8%	28.0%	50.4%	31.3%	47.0%
Total assets (excluding intergroup)	81 753	3 970	101 560	4 503	191 786

* *As restated for restatements detailed in the accounting policies of the financial statements.*

For the year to 31 March R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
1. Segmental analysis (continued)					
Company					
Business analysis 2011					
Interest income	13 308	83	12 042	(11 479)	13 954
Interest expense	(11 469)	(19)	(11 189)	12 107	(10 570)
Net interest income	1 839	64	853	628	3 384
Fee and commission income	470	129	339	(33)	905
Fee and commission expense	(17)	4	(20)	(1)	(34)
Principal transactions	139	869	555	99	1 662
Operating loss from associates	–	–	–	–	–
Other operating income	–	–	–	–	–
Other income	592	1 002	874	65	2 533
Total operating income before impairment losses on loans and advances	2 431	1 066	1 727	693	5 917
Impairment losses on loans and advances	(1 042)	3	157	50	(832)
Operating income	1 389	1 069	1 884	743	5 085
Operating costs	(1 364)	(275)	(964)	(392)	(2 995)
Profit before taxation	25	794	920	351	2 090
Cost to income ratio	56.1%	25.8%	55.8%	56.6%	50.6%
Total assets (excluding intergroup)	83 025	5 477	113 751	3 853	206 106
Business analysis 2010					
Interest income	14 761	54	13 091	*(13 488)	*14 418
Interest expense	(13 102)	(1)	(12 045)	*14 097	*(11 051)
Net interest income	1 659	53	1 046	609	3 367
Fee and commission income	359	122	379	2	862
Fee and commission expense	(5)	14	(32)	(17)	(40)
Principal transactions	62	600	315	261	1 238
Operating loss from associates	–	–	–	–	–
Other operating income	–	–	–	–	–
Other income	416	736	662	246	2 060
Total operating income before impairment losses on loans and advances	2 075	789	1 708	855	5 427
Impairment losses on loans and advances	(491)	(29)	(84)	(190)	(794)
Operating income	1 584	760	1 624	665	4 633
Operating costs	(1 296)	(219)	(932)	(405)	(2 852)
Profit before taxation	288	541	692	260	1 781
Cost to income ratio	62.5%	27.8%	54.6%	47.4%	52.6%
Total assets (excluding intergroup)	79 382	3 957	93 629	3 903	180 871

* *As restated for restatements detailed in the accounting policies of the financial statements.*

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
1. Segmental analysis (continued)				
Further breakdowns of business line operating profit before non-operating items and taxation are shown below:				
Private Banking	47	336	25	288
Investment Banking				
Corporate Finance	81	65	81	65
Principal Investments	710	468	713	476
	791	533	794	541
Capital Markets	1 219	838	920	692
Group Services and Other Activities				
International Trade Finance	77	58	–	–
Central Funding	677	1 176	747	653
Central Costs	(397)	(415)	(396)	(393)
	357	819	351	260
Total	2 414	2 526	2 090	1 781

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

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

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
2. Principal transactions				
Dividend income	245	230	367	239
Funding costs	(1 128)	(562)	(1 128)	(562)
Income from trading assets and liabilities	1 322	885	1 322	885
Realised income on available-for-sale assets	–	15	–	15
Net fair value adjustments	1 231	1 061	1 101	661
	1 670	1 629	1 662	1 238

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
3. Other operating income				
Rental income from properties	1	–	–	–
Gains on realisation of dealing properties	14	–	–	–
Other operating income	15	–	–	–

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
4. Operating costs				
Staff costs	2 070	1 928	1 973	1 840
– Salaries and wages (including directors' remuneration)*	1 672	1 575	1 585	1 497
– Share-based payments expense	292	257	283	250
– Social security costs	14	12	14	11
– Pension and provident fund contributions	92	84	91	82
Premises (excluding depreciation)	349	302	326	290
Equipment (excluding depreciation)	203	213	180	195
Business expenses**	305	283	269	258
Marketing expenses	159	153	155	150
Depreciation, amortisation and impairment of property, equipment and intangibles	95	122	92	119
	3 181	3 001	2 995	2 852
The following amounts were paid to the auditors:				
Audit fees	23	24	17	21
Other services	1	3	1	3
	24	27	18	24
Fees by audit firm:				
Ernst and Young Inc	9	11	4	9
KPMG Inc	15	15	14	15
Other	–	1	–	–
	24	27	18	24
Minimum operating lease payments recognised in operating costs	305	237	305	237

* *Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report on pages 103 to 110.*

** *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

5. Share-based payments

For the year to 31 March	Group		Company	
R'million	2011	2010	2011	2010
The group operates share option and share purchase schemes for employees, which are on an equity-settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the remuneration report and on our website.				
Equity-settled share-based payment expense charged to the income statement	292	257	283	250
Fair value of options granted in the year	421	352	352	345

Share-based payments expense charged to income statement (included in operating costs) R'million	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
2011	91	29	84	88	292
2010	86	26	70	75	257

	Group				Company			
	2011		2010		2011		2010	
Details of options outstanding during the year	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the year	22 450 269	1.23	21 766 537	3.11	21 553 836	1.22	20 817 096	3.13
Re-location of employees during the year	(692 067)	–	(2 525 350)	3.48	(690 092)	–	(2 476 215)	3.47
Granted during the year	10 752 949	–	10 081 200	–	10 330 462	–	9 911 350	–
Exercised during the year	(3 781 543)	1.81	(5 542 928)	4.85	(3 659 907)	1.79	(5 388 010)	4.82
Expired during the year	(1 116 419)	2.28	(1 329 190)	3.16	(1 070 545)	1.51	(1 310 385)	3.10
Outstanding at the end of the year	27 613 189	0.69	22 450 269	1.23	26 463 754	0.72	21 553 836	1.22
Exercisable at the end of the year	640 314	29.70	685 530	34.84	638 338	29.68	662 715	34.20

	2011	2010
5. Share-based payments (continued)		
The exercise price range and weighted average remaining contractual life for the options outstanding are as follows:		
Options with strike prices		
Exercise price range	R20.28 – R52.40	R33.00 – R57.60
Weighted average remaining contractual life	0.58 years	1.32 years
Weighted average fair value of options granted at measurement date	R39.11	R34.89
Long-term incentive grants with no strike price		
Exercise price range	R0	R0
Weighted average remaining contractual life	3.32 years	2.83 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year the inputs into the model were as follows:		
– Share price at date of grants	R52.55 – R55.40	R44.00 – R56.00
– Exercise price	R0	R0
– Expected volatility	30% – 36%	33% – 45%
– Option life	5 years	5 years
– Expected dividend yields	2.85% – 4.61%	3.24%
– Average risk-free rate	6.75% – 7.31%	8.55% – 8.75%

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

For information on the share options granted to directors, refer to the remuneration report on page 109.

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
6. Taxation				
Income statement tax charge				
Taxation on income				
South Africa	120	510	122	374
– Current taxation	236	330	206	312
in respect of current year	397	330	367	312
in respect of prior year adjustments	(161)	–	(161)	–
– Deferred taxation	(116)	180	(84)	62
Foreign taxation – Mauritius	12	10	–	–
Total taxation charge as per income statement	132	520	122	374
Tax rate reconciliation:				
Profit before taxation as per income statement	2 414	2 526	2 090	1 781
Total taxation charge as per income statement	132	520	122	374
Effective rate of taxation	5.5%	20.6%	5.8%	21.0%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	21.7%	2.6%	23.3%	3.8%
– Foreign earnings*	(2.1%)	7.3%	–	–
– Prior year tax adjustments	6.7%	–	2.2%	–
– Other permanent differences	(3.8%)	(2.5%)	(3.3%)	3.2%
	28.0%	28.0%	28.0%	28.0%
Other comprehensive income taxation effects				
Cash flow hedge movements taken directly to other comprehensive income	82	18	82	20
– Pre-tax	114	23	114	27
– Income taxation effect	(32)	(5)	(32)	(7)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	23	29	23	23
– Pre-tax	32	38	32	30
– Income taxation effect	(9)	(9)	(9)	(7)
Gains on realisation of available-for-sale assets recycled through the income statement	–	(13)	–	(13)
– Pre-tax	–	(17)	–	(17)
– Income taxation effect	–	4	–	4
Foreign currency adjustments on translating foreign operations	(128)	(359)	1	–
– Pre-tax	(128)	(359)	1	–
– Income taxation effect	–	–	–	–

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

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
7. Dividends				
Ordinary dividend				
Final dividend in prior year	580	390	580	390
Interim dividend for current year	493	360	493	360
Total dividend attributable to ordinary shareholders recognised in current financial year	1 073	750	1 073	750

	Group				Company			
	2011		2010		2011		2010	
For the year to 31 March	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million
Perpetual preference dividend								
Final dividend in prior year	392.05	61	555.82	83	392.05	61	555.82	83
Interim dividend for current year	373.87	59	427.40	66	373.87	59	427.40	66
Total dividend attributable to perpetual preference shareholders recognised in current financial year	765.92	120	983.22	149	765.92	120	983.22	149

The directors have declared a final dividend in respect of the financial year ended 31 March 2011 of 341.61 cents (2010: 392.05 cents) per perpetual preference share.

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
8. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	2 286	2 007	1 968	1 407
Preference dividends paid	(120)	(149)	(120)	(149)
Earnings attributable to ordinary shareholders	2 166	1 858	1 848	1 258
Headline adjustments, net of taxation*	25	(13)	–	(13)
Gain on realisation of available-for-sale financial assets*	–	(13)	–	(13)
Impairment of associate	25	–	–	–
Headline earnings attributable to ordinary shareholders	2 191	1 845	1 848	1 245

* *Amounts are net of taxation of Rnil (2010: R2.0 million) for both group and for company.*

For the year to 31 March R'million	At fair value through profit or loss	
	Trading	Designated at inception
9. Analysis of income and expenses by category of financial instrument		
Group		
2011		
Net interest income	844	2 057
Fee and commission income	212	31
Fee and commission expense	–	(1)
Principal transactions	190	1 443
Operating loss from associate	–	–
Other operating income	–	–
Total operating income before impairment losses on loans and advances	1 246	3 530
Impairment losses on loans and advances	–	–
Operating income	1 246	3 530
2010		
Net interest income	159	757
Fee and commission income	227	117
Fee and commission expense	–	(9)
Principal transactions	566	816
Operating loss from associates	–	–
Total operating income before impairment losses on loans and advances	952	1 681
Impairment losses on loans and advances	–	–
Operating income	952	1 681
Company		
2011		
Net interest income	798	2 137
Fee and commission income	212	16
Fee and commission expense	–	–
Principal transactions	314	1 298
Other operating income	–	–
Total operating income before impairment losses on loans and advances	1 324	3 451
Impairment losses on loans and advances	–	–
Operating income	1 324	3 451
2010		
Net interest income	81	899
Fee and commission income	224	117
Fee and commission expense	–	(9)
Principal transactions	202	754
Total operating income before impairment losses on loans and advances	507	1 761
Impairment losses on loans and advances	–	–
Operating income	507	1 761

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
215	11 215	121	(10 594)	–	12	3 870
–	328	–	(6)	–	383	948
–	(35)	–	–	–	(3)	(39)
(9)	–	–	–	(15)	61	1 670
–	–	–	–	(17)	–	(17)
–	1	–	–	14	–	15
206	11 509	121	(10 600)	(18)	453	6 447
–	(852)	–	–	–	–	(852)
206	10 657	121	(10 600)	(18)	453	5 595
390	14 422	–	(11 797)	–	–	3 931
–	316	–	(1)	1	261	921
–	(19)	–	(1)	2	(22)	(49)
–	–	15	–	2	230	1 629
–	–	–	–	(47)	–	(47)
390	14 719	15	(11 799)	(42)	469	6 385
–	(858)	–	–	–	–	(858)
390	13 861	15	(11 799)	(42)	469	5 527
208	10 389	186	(10 346)	–	12	3 384
–	297	–	(6)	–	386	905
–	(31)	–	–	–	(3)	(34)
–	–	–	–	(12)	62	1 662
–	–	–	–	–	–	–
208	10 655	186	(10 352)	(12)	457	5 917
–	(832)	–	–	–	–	(832)
208	9 823	186	(10 352)	(12)	457	5 085
384	13 196	–	(11 193)	–	–	3 367
–	274	–	(1)	–	248	862
–	(15)	–	–	1	(17)	(40)
–	–	15	–	31	236	1 238
384	13 455	15	(11 194)	32	467	5 427
–	(794)	–	–	–	–	(794)
384	12 661	15	(11 194)	32	467	4 633

At 31 March R'million	At fair value through profit or loss		Available -for-sale	Total instruments at fair value
	Trading	Designated at inception		
10. Analysis of assets and liabilities by financial instrument classification				
Group				
2011				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	216	–	216
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 524	1 631	–	8 155
Trading securities	11 939	32 413	–	44 352
Derivative financial instruments*	11 487	–	–	11 487
Investment securities	–	4	2 742	2 746
Loans and advances to customers	–	13 072	–	13 072
Securitised assets	–	1 085	–	1 085
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	149	–	–	149
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Intangible assets	–	–	–	–
Loans to group companies	**1 471	–	–	**1 471
Investment in subsidiaries	–	–	–	–
	31 570	48 421	2 742	82 733
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	10 495	–	–	10 495
Other trading liabilities	389	–	–	389
Repurchase agreements and cash collateral on securities lent	5 732	–	–	5 732
Customer accounts (deposits)	17	9 854	–	9 871
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	1 087	–	1 087
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	459	–	–	459
Subordinated liabilities	–	–	–	–
	17 092	10 941	–	28 033

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges please refer to note 42 on pages 182 and 183.*

** *Intergroup derivative instruments.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	6 813	–	6 813	–	6 813
–	4 702	–	4 702	–	4 918
–	5 829	–	5 829	–	5 829
–	2	–	2	–	8 157
–	–	–	–	–	44 352
–	–	–	–	–	11 487
11 468	–	–	11 468	–	14 214
–	102 151	–	102 151	–	115 223
–	1 091	–	1 091	–	2 176
–	–	–	–	135	135
–	–	–	–	42	42
–	383	–	383	449	981
–	–	–	–	286	286
–	–	–	–	5	5
–	–	–	–	108	108
–	5 365	–	5 365	–	6 836
–	–	–	–	–	–
11 468	126 336	–	137 804	1 025	221 562
–	–	10 956	10 956	–	10 956
–	–	–	–	–	10 495
–	–	–	–	–	389
–	–	5 001	5 001	–	10 733
–	–	144 901	144 901	–	154 772
–	–	2 489	2 489	–	2 489
–	–	1 087	1 087	–	2 174
–	–	–	–	1 024	1 024
–	–	–	–	349	349
–	–	681	681	1 338	2 478
–	–	6 866	6 866	–	6 866
–	–	171 981	171 981	2 711	202 725

At 31 March R'million	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
10. Analysis of assets and liabilities by financial instrument classification (continued)				
Group				
2010				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	301	–	301
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	–	–	3 671
Trading securities	13 141	23 234	–	36 375
Derivative financial instruments*	7 829	–	–	7 829
Investment securities	–	5	1	6
Loans and advances to customers	–	15 146	–	15 146
Securitised assets	–	1 120	–	1 120
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	125	–	–	125
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Intangible assets	–	–	–	–
Loans to group companies	**738	–	–	738
	25 504	39 806	1	65 311
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	7 144	–	–	7 144
Other trading liabilities	454	–	–	454
Repurchase agreements and cash collateral on securities lent	3 281	–	–	3 281
Customer accounts (deposits)	26	15 248	–	15 274
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	1 514	–	1 514
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	164	–	–	164
Subordinated liabilities	–	–	–	–
	11 069	16 762	–	27 831

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges please refer to note 42 on pages 182 and 183.*

** *Intergroup derivative instruments.*

^ *As restated for reclassifications detailed in the accounting policies of the financial statements.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	3 660	–	3 660	–	3 660
–	12 944	–	12 944	–	13 245
–	6 455	–	6 455	–	6 455
–	105	–	105	–	3 776
–	–	–	–	–	36 375
–	–	–	–	–	7 829
3 599	–	–	3 599	–	3 605
118	96 655	–	96 773	–	111 919
–	2 411	–	2 411	–	3 531
–	–	–	–	180	180
–	–	–	–	22	22
–	631	–	631	168	924
–	–	–	–	164	164
–	–	–	–	5	5
–	–	–	–	96	96
–	5 355	–	5 355	–	6 093
3 717	128 216	–	131 933	635	197 879
–	–	9 554	9 554	–	9 554
–	–	–	–	–	7 144
–	–	–	–	–	454
–	–	3 000	3 000	–	6 281
–	–	128 116	128 116	–	143 390
–	–	2 758	2 758	–	^2 758
–	–	1 193	1 193	–	2 707
–	–	–	–	857	857
–	–	–	–	444	444
–	–	798	798	1 533	^2 495
–	–	5 341	5 341	–	5 341
–	–	150 760	150 760	2 834	181 425

10. Analysis of assets and liabilities by financial instrument classification (continued)

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception	Available -for-sale	Total instruments at fair value
Company				
2011				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	216	–	216
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 524	1 631	–	8 155
Trading securities	11 834	32 412	–	44 246
Derivative financial instruments*	11 230	–	–	11 230
Investment securities	–	–	2 741	2 741
Loans and advances to customers	–	13 072	–	13 072
Securitised assets	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	149	–	–	149
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Intangible assets	–	–	–	–
Loans to group companies	**1 549	–	–	1 549
Investment in subsidiaries	–	–	–	–
	31 286	47 331	2 741	81 358
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	10 495	–	–	10 495
Other trading liabilities	389	–	–	389
Repurchase agreements and cash collateral on securities lent	5 732	–	–	5 732
Customer accounts (deposits)	17	9 854	–	9 871
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	–	–	–
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	459	–	–	459
Subordinated liabilities	–	–	–	–
	17 092	9 854	–	26 946

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges please refer to note 42 on pages 182 and 183.*

** *Intergroup derivative instruments.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	6 768	–	6 768	–	6 768
–	3 805	–	3 805	–	4 021
–	5 829	–	5 829	–	5 829
–	2	–	2	–	8 157
–	–	–	–	–	44 246
–	–	–	–	–	11 230
11 389	–	–	11 389	–	14 130
–	95 556	–	95 556	–	108 628
–	905	–	905	–	905
–	–	–	–	15	15
–	364	–	364	271	784
–	–	–	–	281	281
–	–	–	–	1	1
–	–	–	–	106	106
–	6 792	–	6 792	–	8 341
–	–	–	–	1 007	1 007
11 389	120 021	–	131 410	1 681	214 449
–	–	10 273	10 273	–	10 273
–	–	–	–	–	10 495
–	–	–	–	–	389
–	–	5 001	5 001	–	10 733
–	–	142 479	142 479	–	152 350
–	–	1 563	1 563	–	1 563
–	–	905	905	–	905
–	–	–	–	1 024	1 024
–	–	–	–	201	201
–	–	590	590	1 317	2 366
–	–	6 866	6 866	–	6 866
–	–	167 677	167 677	2 542	197 165

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception	Available -for-sale	Total instruments at fair value
10. Analysis of assets and liabilities by financial instrument classification (continued)				
Company				
2010				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	301	–	301
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	–	–	3 671
Trading securities	12 986	24 059	–	37 045
Derivative financial instruments*	7 485	–	–	7 485
Investment securities	–	1	–	1
Loans and advances to customers	–	15 146	–	15 146
Securitised assets	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	125	–	–	125
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Intangible assets	–	–	–	–
Loans to group companies	**901	–	–	901
Investment in subsidiaries	–	–	–	–
	25 168	39 507	–	64 675
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	7 145	–	–	7 145
Other trading liabilities	454	–	–	454
Repurchase agreements and cash collateral on securities lent	3 281	–	–	3 281
Customer accounts (deposits)	26	15 248	–	15 274
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	–	–	–
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	164	–	–	164
Subordinated liabilities	–	–	–	–
	11 070	15 248	–	26 318

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges please refer to note 42 on pages 182 and 183.*

** *Intergroup derivative instruments.*

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

11. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table below provides details of the basis used for determining the fair value according to the following hierarchy:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March R'million	Total instruments at fair value per note 10	Valuation technique applied		
		Level 1	Level 2	Level 3
2011				
Group				
Assets				
Loans and advances to banks	216	–	216	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 155	7 527	628	–
Trading securities	44 352	27 522	16 719	111
Derivative financial instruments	11 487	–	11 470	17
Investment securities	2 746	1 935	811	–
Loans and advances to customers	13 072	–	13 072	–
Securitised assets	1 085	–	1 085	–
Other assets	149	146	3	–
Loans to group companies	1 471	–	1 471	–
	82 733	37 130	45 475	128
Liabilities				
Derivative financial instruments	10 495	–	10 495	–
Other trading liabilities	389	389	–	–
Repurchase agreements and cash collateral on securities lent	5 732	5 732	–	–
Customer accounts (deposits)	9 871	–	9 871	–
Liabilities arising on securitisation	1 087	–	1 087	–
Other liabilities	459	–	400	59
	28 033	6 121	21 853	59

At 31 March R'million	Total instruments at fair value per note 10	Valuation technique applied		
		Level 1	Level 2	Level 3
11. Fair value hierarchy (continued)				
2010				
Group				
Assets				
Loans and advances to banks	301	–	301	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	3 198	473	–
Trading securities	36 375	20 214	16 041	120
Derivative financial instruments	7 829	3	7 811	15
Investment securities	6	6	–	–
Loans and advances to customers	15 146	–	15 146	–
Securitised assets	1 120	–	1 120	–
Other assets	125	123	2	–
Loans to group companies	738	–	738	–
	65 311	23 544	41 632	135
Liabilities				
Derivative financial instruments	7 144	–	7 144	–
Other trading liabilities	454	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	3 281	–	–
Customer accounts (deposits)	15 274	–	15 274	–
Liabilities arising on securitisation	1 514	–	1 514	–
Other liabilities	164	2	162	–
	27 831	3 737	24 094	–

For the year to 31 March R'million	Total instruments at fair value per note 10	Valuation technique applied		
		Level 1	Level 2	Level 3
11. Fair value hierarchy (continued)				
2011				
Company				
Assets				
Loans and advances to banks	216	–	216	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 155	7 527	628	–
Trading securities	44 246	27 521	16 670	55
Derivative financial instruments	11 230	–	11 213	17
Investment securities	2 741	1 930	811	–
Loans and advances to customers	13 072	–	13 072	–
Securitised assets	–	–	–	–
Other assets	149	146	3	–
Loans to group companies	1 549	–	1 549	–
	81 358	37 124	44 162	72
Liabilities				
Derivative financial instruments	10 495	–	10 495	–
Other trading liabilities	389	389	–	–
Repurchase agreements and cash collateral on securities lent	5 732	5 732	–	–
Customer accounts (deposits)	9 871	–	9 871	–
Other liabilities	459	–	401	58
	26 946	6 121	20 767	58

At 31 March R'million	Total instruments at fair value per note 10	Valuation technique applied Level 1	Level 2	Level 3
11. Fair value hierarchy (continued)				
2010				
Company				
Assets				
Loans and advances to banks	301	–	301	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 671	3 198	473	–
Trading securities	37 045	21 042	15 887	116
Derivative financial instruments	7 485	3	7 467	15
Investment securities	1	1	–	–
Loans and advances to customers	15 146	–	15 146	–
Securitised assets	–	–	–	–
Other assets	125	123	2	–
Loans to group companies	901	–	901	–
	64 675	24 367	40 177	131
Liabilities				
Derivative financial instruments	7 145	–	7 145	–
Other trading liabilities	454	454	–	–
Repurchase agreements and cash collateral on securities lent	3 281	3 281	–	–
Customer accounts (deposits)	15 274	–	15 274	–
Other liabilities	164	2	162	–
	26 318	3 737	22 581	–

Transfers between level 1 and level 2

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

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

There were no transfers between level 1 and level 2 for the 2011 financial year.

11. Fair value hierarchy (continued)

The following table shows a reconciliation from the opening balances to the closing balances for net level 3 instruments measured at fair value through the income statement:

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
Net level 3 instruments at fair value movements through the income statement				
Group				
Net opening balance at 1 April	135	343	131	263
Total gains or losses recognised in the current year	4	22	(9)	19
Purchases	18	–	18	–
Sales	(31)	(10)	(1)	–
Settlements	–	(8)	–	(8)
Transfers out level 3	(155)	(211)	(155)	(143)
Transfers into level 3	104	–	30	–
Foreign exchange adjustments	(6)	(1)	–	–
Net closing balance 31 March	69	135	14	131

Instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs becoming available for valuation methodologies.

The following table quantifies the gains and losses recognised on level 3 financial instruments:

For the year to 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
Total gains or losses on level 3 financial instruments included in profit or loss for the year				
Net interest income	–	4	–	4
Fee and commission income	1	26	1	26
Principal transactions	3	(8)	(10)	(11)
	4	22	(9)	19

11. Fair value hierarchy (continued)

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

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

	2011		2010	
	Reflected in income statement		Reflected in income statement	
For the year 31 March R'million	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Group				
Assets				
Trading securities	62	27	30	21
Derivative financial instruments	16	5	24	21
Liabilities				
Other liabilities	6	3	–	–
Company				
Assets				
Trading securities	55	17	30	20
Derivative financial instruments	16	5	24	21
Liabilities				
Other liabilities	6	3	–	–

At 31 March R'million	2011 Carrying value at amortised cost	2011 Fair value	2010 Carrying value at amortised cost	2010 Fair value
12. Fair value of financial assets and liabilities at amortised cost				
Group				
Financial assets				
Cash and balances at central banks	6 813	6 813	3 660	3 660
Loans and advances to banks	4 702	4 701	12 944	12 944
Cash equivalent advances to customers	5 829	5 829	6 455	6 455
Reverse repurchase agreements and cash collateral on securities borrowed	2	2	105	105
Investment securities	11 468	11 368	3 599	3 446
Loans and advances to customers	102 151	102 090	96 773	96 777
Securitised assets	1 091	1 092	2 411	2 411
Other assets	383	384	631	636
Loan to group companies	5 365	5 366	5 355	5 724
	137 804	137 645	131 933	132 158
Financial liabilities				
Deposits by banks	10 956	10 963	9 554	9 566
Repurchase agreements and cash collateral on securities lent	5 001	5 002	3 000	3 000
Customer accounts (deposits)	144 901	144 907	128 116	128 636
Debt securities in issue	2 489	2 516	*2 758	*2 762
Liabilities arising on securitisation	1 087	1 087	1 193	1 192
Other liabilities	681	681	*798	*799
Subordinated liabilities	6 866	7 058	5 341	5 529
	171 981	172 214	150 760	151 484
Company				
Financial assets				
Cash and balances at central banks	6 768	6 813	3 617	3 617
Loans and advances to banks	3 805	4 701	10 249	10 249
Cash equivalent advances to customers	5 829	5 829	6 455	6 455
Reverse repurchase agreements and cash collateral on securities borrowed	2	2	105	105
Investment securities	11 389	11 290	3 502	2 878
Loans and advances to customers	95 556	95 494	90 190	90 191
Securitised assets	905	905	852	852
Other assets	364	364	556	561
Loan to group companies	6 792	6 792	7 136	7 136
	131 410	132 190	122 662	122 044
Financial liabilities				
Deposits by banks	10 273	10 280	8 827	8 839
Repurchase agreements and cash collateral on securities lent	5 001	5 002	3 000	3 000
Customer accounts (deposits)	142 479	142 485	124 651	125 172
Debt securities in issue	1 563	1 590	1 559	1 563
Liabilities arising on securitisation	905	905	852	852
Other liabilities	590	590	703	703
Subordinated liabilities	6 866	7 058	5 341	5 529
	167 677	167 910	144 933	145 658

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

12. Fair value of financial assets and liabilities at amortised cost

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

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

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

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
13. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	7 527	3 198	7 527	3 198
Cash collateral on securities borrowed	630	578	630	578
	8 157	3 776	8 157	3 776
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. The fair value of securities accepted under these terms as at 31 March 2011 amounts to R7.5 billion (2010: R3.2 billion).				
Liabilities				
Repurchase agreements	10 733	6 281	10 733	6 281

At 31 March R'million	Group				Company			
	2011		2010		2011		2010	
	Fair value	Cumulative unrealised gains/(losses)	Fair value	Cumulative unrealised gains/(losses)	Fair value	Cumulative unrealised gains/(losses)	Fair value	Cumulative unrealised gains/(losses)
14. Trading securities								
Listed equities	1 129	374	357	39	1 128	387	356	53
Unlisted equities	4 689	2 697	4 562	2 432	4 641	2 737	4 483	2 629
Promissory notes	11 100	451	11 799	310	11 100	451	11 799	310
Liquid asset bills	20 982	2 572	18 213	184	20 982	2 572	18 213	184
Debentures	5 230	206	–	–	5 230	206	–	–
Government and other bonds	1 222	292	1 444	(16)	1 165	378	2 194	136
	44 352	6 592	36 375	2 949	44 246	6 731	37 045	3 312

15. Derivative financial instruments

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

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

	Group		
At 31 March R'million	Notional principal amounts 2011	Positive fair value 2011	Negative fair value 2011
Foreign exchange derivatives			
Forward foreign exchange contracts	13 054	271	100
Currency swaps	73 075	1 414	685
OTC options	1 813	25	22
Other foreign exchange contracts	4 451	12	11
OTC derivatives	92 393	1 722	818
Exchange traded futures	588	–	–
Exchange traded options	–	–	–
	92 981	1 722	818
Interest rate derivatives			
Caps and floors	2 850	20	22
Swaps	678 816	7 818	8 162
Forward rate agreements	1 185 706	377	427
OTC options	11 140	45	42
Other interest rate contracts	188	10	–
	1 878 700	8 270	8 653
Equity and stock index derivatives			
OTC options	9 944	851	915
OTC derivatives	9 944	851	915
Exchange traded futures	7 092	2	–
Exchange traded options	23 827	–	–
Warrants	148	–	–
	41 011	853	915
Commodity derivatives			
OTC options	436	41	41
Commodity swaps and forwards	782	141	2
	1 218	182	43
Credit derivatives			
Credit swaps	1	1	–
Credit linked notes	87	–	66
	88	1	66
Embedded derivatives	–	459	–
Derivatives per balance sheet		11 487	10 495

Group			Company					
Notional principal amounts 2010	Positive fair value 2010	Negative fair value 2010	Notional principal amounts 2011	Positive fair value 2011	Negative fair value 2011	Notional principal amounts 2010	Positive fair value 2010	Negative fair value 2010
6 975	387	149	13 054	271	100	6 975	387	149
38 024	808	549	73 059	1 406	685	38 028	799	549
2 234	28	22	1 813	25	22	2 234	28	22
2 404	6	5	4 450	12	11	2 405	5	5
49 637	1 229	725	92 376	1 714	818	49 642	1 219	725
1 755	–	–	588	–	–	1 755	–	–
898	–	–	–	–	–	898	–	–
52 290	1 229	725	92 964	1 714	818	52 295	1 219	725
1 106	–	16	2 850	20	22	1 106	–	16
282 684	4 943	5 060	677 898	7 818	8 162	281 304	4 941	5 061
328 570	332	351	1 185 706	377	427	328 570	333	351
6 911	29	30	11 140	45	42	6 911	29	30
658	162	104	–	–	–	655	152	104
619 929	5 466	5 561	1 877 594	8 260	8 653	618 546	5 455	5 562
12 211	439	802	9 833	829	915	9 918	331	802
12 211	439	802	9 833	829	915	9 918	331	802
7 304	2	–	7 092	2	–	7 304	2	–
25 205	–	–	23 827	–	–	25 205	–	–
–	–	–	148	–	–	–	–	–
44 720	441	802	40 900	831	915	42 427	333	802
839	25	25	436	41	41	839	25	25
1 078	247	31	782	141	2	1 078	247	31
1 917	272	56	1 218	182	43	1 917	272	56
142	2	–	1	1	–	142	1	–
37	–	–	50	–	66	–	–	–
179	2	–	51	1	66	142	1	–
–	419	–	–	242	–	–	205	–
	7 829	7 144		11 230	10 495		7 485	7 145

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
16. Investment securities				
At fair value through profit or loss				
Listed equities	4	5	–	1
	4	5	–	1
Available-for-sale				
Listed equities	1	1	–	–
Bonds	1 930	–	1 930	–
Commercial paper	811	–	811	–
	2 742	1	2 741	–
Held-to-maturity				
Bonds	11 389	3 599	11 389	3 502
Other investments	79	–	–	–
	11 468	3 599	11 389	3 502
Total	14 214	3 605	14 130	3 503

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

At 31 March R'million	Carrying value	Fair value adjustment Year to date	 Cumulative	Maximum exposure to credit risk
Loans and receivables				
2011				
Loans and advances to banks	216	(11)	(4)	216
Reverse repurchase agreements and cash collateral on securities borrowed	1 631	21	21	–
Loans and advances to customers	13 072	7	650	13 072
	14 919	17	667	13 288
2010				
Loans and advances to banks	301	(79)	(11)	301
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–
Loans and advances to customers	15 146	(4)	786	15 146
	15 447	(83)	775	15 447

Year to date and cumulative fair value adjustments to loans and receivables attributable to credit risk were Rnil (2010: Rnil), due to lack of observable credit spreads on the above we are not able to accurately identify the credit elements of the fair value adjustments.

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	 Cumulative
Financial liabilities				
2011				
Customer accounts (deposits)	9 854	9 681	(186)	174
Liabilities arising on securitisation	1 087	1 087	–	–
	10 941	10 768	(186)	174
2010				
Customer accounts (deposits)	15 248	16 912	(41)	(1 663)
Liabilities arising on securitisation	1 514	1 120	395	395
	16 762	18 032	354	(1 268)

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

Year to date and cumulative changes in fair value of financial liabilities attributable to credit risk were Rnil (2010: Rnil), due to lack of observable credit spreads on the above, we are not able to accurately identify the credit elements of the fair value adjustments.

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
18. Loans and advances to customers				
Loans and advances to customers	115 223	111 919	108 628	105 336
Specific and portfolio impairments included above	1 455	858	1 367	749
Gross loans and advances to customers	116 678	112 777	109 995	106 085
Less: warehouse facilities and structured credit investments arising from securitisation and principal finance activities	(860)	(1 110)	(860)	(1 198)
Securitised assets (refer to note 19)	937	1 373	907	856
Gross core loans and advances to customers	116 755	113 040	110 042	105 743
For further analysis on gross core loans and advances refer to pages 32 to 58 in the risk management section				
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	538	991	462	884
Charge to the income statement	816	473	772	452
Reversals recognised in the income statement	(192)	–	(127)	–
Recoveries	(2)	–	(2)	–
Utilised	(23)	(926)	(22)	(874)
Balance at end of year	1 137	538	1 083	462
Portfolio impairment				
Balance at beginning of year	320	87	287	43
Charge to the income statement	–	234	(3)	245
Exchange adjustment	(2)	(1)	–	(1)
Balance at end of year	318	320	284	287
Reconciliation of income statement charge:				
Loans and advances	624	707	642	697
Net specific impairment charged to income statement	624	473	645	452
Net portfolio impairment charged to income statement	–	234	(3)	245
Securitised assets	(5)	31	(2)	–
Specific impairment charged to income statement	(5)	30	(3)	–
Portfolio impairment charged to income statement	–	1	1	–
Net bad debts written off directly to the income statement	233	120	192	97
Total income statement charge	852	858	832	794

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
19. Securitised assets and liabilities arising on securitisation				
Securitised assets are made up of the following categories of assets:				
Loans and advances to banks	–	60	–	–
Trading securities	1 086	1 121	–	–
Loans and advances to customers	1 094	2 401	907	856
	2 180	3 582	907	856
Total impairment of loans and advances to customers	(4)	(51)	(2)	(4)
Total securitised assets	2 176	3 531	905	852
Analysis of securitised assets by risk exposure				
Gross core loans and advances to customers	937	1 373	907	856
Securitisation exposures arising from securitisation/principal finance activities	–	91	–	–
Total credit and counterparty exposure	937	1 464	907	856
Loans and advances to customers with no credit exposure	1 239	2 067	(2)	(4)
Gross loans and advances	1 243	2 118	–	–
Impairment of loans and advances to customers	(4)	(51)	(2)	(4)
Total securitised assets	2 176	3 531	905	852
Specific and portfolio impairments				
Reconciliation of movements in group specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	49	19	4	4
Charge to the income statement	(2)	30	–	–
Reversals recognised in the income statement	(3)	–	(3)	–
Disposals	(42)	–	–	–
Utilised	–	–	–	–
Balance at end of year	2	49	1	4
Portfolio impairment				
Balance at beginning of year	2	1	–	–
Charge to the income statement	–	1	1	–
Disposals	–	–	–	–
Balance at end of year	2	2	1	–
The associated liabilities are recorded on balance sheet in 'liabilities arising on securitisation'				
Carrying value at 31 March	2 174	2 707	905	852

Investec Bank Limited legally disposed of loans and advances to customers to the value of R905 million (2010: R852 million) but in which the company continues to hold the majority of credit risk. Due to the credit risk retained by the company, the assets disclosed above continue to be recognised on balance sheet.

Securitised liabilities

Securitised liabilities include bonds, medium-term notes and commercial paper. Bonds that are listed on the Johannesburg Stock Exchange of South Africa have maturity dates as noted below:

R26.1 million
Final legal maturity of 10 January 2018

At 31 March R'million	Group 2011	Group 2010
20. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	135	180
Investment in associated undertakings	135	180
Analysis of the movement in our share of net assets:		
At beginning of year	180	166
Acquisitions	7	24
Impairment	(25)	–
Loans to associate	(10)	37
Share of associate losses	(17)	(47)
Share of net asset value at end of year	135	180
Associated undertakings:		
Unlisted	135	180
	135	180
The group holds 23.94% (2010: 23.94%) in Global Ethanol Holdings Limited.		
The directors' valuation of the investment in associate approximates its carrying value.		
The group's holding in Dolphin Coast Marina Estate Limited is 34.54% (2010:40%).		
Summarised financial information at 31 March 2011		
Global Ethanol Holdings Limited		
Total assets	1 360	1 494
Total liabilities	1 300	1 440
Total revenue for the year	1 943	2 493
Total loss before tax for the year	(83)	(533)
Dolphin Coast Marina Estate Limited		
Total assets	50	83
Total liabilities	13	1
Total revenue for the year	3	–
Total profit/(loss) before tax for the year	2	(4)

At 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
21. Deferred taxation				
Deferred taxation assets	42	22	15	–
Deferred taxation liability	(349)	(444)	(201)	(270)
Net deferred taxation liability	(307)	(422)	(186)	(270)
The net deferred taxation liability consists of:				
Income and expenditure accruals	599	558	720	710
Unrealised fair value adjustments on financial instruments	(906)	(980)	(906)	(980)
	(307)	(422)	(186)	(270)
Reconciliation of net deferred taxation liability:				
Opening balance	(422)	(251)	(270)	(218)
Charge to the income statement	116	(180)	84	(62)
Charge directly to other comprehensive income	–	10	–	10
Foreign exchange adjustments	(1)	(1)	–	–
Closing balance	(307)	(422)	(186)	(270)

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

At 31 March	Group		Company	
R'million	2011	2010	2011	2010

22. Other assets

Settlement debtors	59	(2)	59	(2)
Dealing properties	297	–	120	–
Accruals and prepayments	156	277	138	263
Trading initial margins	148	120	148	120
Other debtors	321	529	319	467
	981	924	784	848

At 31 March R'million	Leasehold improve-ments	Furniture and vehicles	Equipment	Total

23. Property and equipment

Group				
2011				
Cost				
At beginning of year	19	131	290	440
Additions	–	9	192	201
Disposals	–	(5)	(16)	(21)
At end of year	19	135	466	620
Accumulated depreciation and impairment				
At beginning of year	(13)	(74)	(189)	(276)
Disposals	–	2	(1)	1
Depreciation	(4)	(6)	(49)	(59)
At end of year	(17)	(78)	(239)	(334)
Net carrying value	2	57	227	286
2010				
Cost				
At beginning of year	19	120	271	410
Additions	–	17	34	51
Disposals	–	(6)	(15)	(21)
At end of year	19	131	290	440
Accumulated depreciation and impairment				
At beginning of year	(9)	(72)	(161)	(242)
Disposals	–	1	2	3
Depreciation	(4)	(3)	(30)	(37)
At end of year	(13)	(74)	(189)	(276)
Net carrying value	6	57	101	164

At 31 March R'million	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
23. Property and equipment (continued)				
Company				
2011				
Cost				
At beginning of year	19	122	293	434
Additions	–	9	191	200
Disposals	–	(4)	(16)	(20)
At end of year	19	127	468	614
Accumulated depreciation and impairment				
At beginning of year	(13)	(69)	(195)	(277)
Disposals	–	2	(1)	1
Depreciation	(4)	(16)	(37)	(57)
At end of year	(17)	(83)	(233)	(333)
Net carrying value	2	44	235	281
2010				
Cost				
At beginning of year	19	113	276	408
Additions	–	15	31	46
Disposals	–	(6)	(14)	(20)
At end of year	19	122	293	434
Accumulated depreciation and impairment				
At beginning of year	(9)	(67)	(167)	(243)
Disposals	–	–	1	1
Depreciation	(4)	(2)	(29)	(35)
At end of year	(13)	(69)	(195)	(277)
Net carrying value	6	53	98	157

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
24. Investment properties				
Fair value at beginning and end of year	5	5	1	1

The bank values its investment properties twice annually. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. Investment properties are carried at fair value. No investment properties are occupied by group entities.

At 31 March R'million	Group				Company			
	Acquired software	Internally gener-ated software	Trade-mark	Total	Acquired software	Internally gener-ated software	Trade-mark	Total
25. Intangible assets								
2011								
Cost or valuation								
At beginning of year	294	53	–	347	292	51	–	343
Additions	46	12	–	58	46	13	–	59
Disposals	(12)	(2)	(1)	(15)	(12)	(2)	–	(14)
At end of year	328	63	(1)	390	326	62	–	388
Accumulated amortisation and impairments								
At beginning of year	(215)	(36)	–	(251)	(214)	(37)	–	(251)
Disposals	2	2	1	5	2	2	–	4
Amortisation	(32)	(4)	–	(36)	(31)	(4)	–	(35)
At end of year	(245)	(38)	1	(282)	(243)	(39)	–	(282)
Net carrying value	83	25	–	108	83	23	–	106
2010								
Cost or valuation								
At beginning of year	206	51	–	257	204	49	–	253
Additions	92	2	–	94	92	2	–	94
Disposals	(4)	–	–	(4)	(4)	–	–	(4)
At end of year	294	53	–	347	292	51	–	343
Accumulated amortisation and impairments								
At beginning of year	(137)	(32)	–	(169)	(137)	(32)	–	(169)
Disposals	2	1	–	3	1	1	–	2
Amortisation	(80)	(5)	–	(85)	(78)	(6)	–	(84)
At end of year	(215)	(36)	–	(251)	(214)	(37)	–	(251)
Net carrying value	79	17	–	96	78	14	–	92

At 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
26. Loans to group companies				
Loans from holding company - Investec Limited	(599)	(677)	(599)	(677)
Loans to fellow subsidiaries	3 764	3 832	5 585	5 028
Preference share investment in Investec Limited	400	400	–	–
Preference share investment in fellow subsidiaries	1 800	1 800	1 848	2 785
Intergroup derivative instruments	1 471	738	1 507	901
	6 836	6 093	8 341	8 037

Loans to group companies are unsecured interest bearing, with no fixed terms of repayment.

Included in the loans to group companies are subordinated loans to the value of R53 million (2010: R53 million).

At 31 March	Nature of business	Issued ordinary capital	% Holding	Shares at book value 2011 R'million	Shares at book value 2010 R'million	Net indebtness 2011 R'million	Net indebtness 2010 R'million
27. Investment in subsidiaries							
Direct subsidiaries of Investec Bank Ltd:							
Investec Bank (Mauritius) Limited ^	Banking institution	R535 630 446	100	535	535	402	1 428
Reichmans Holdings Ltd	Trade and asset financing	R15	100	112	112	1 203	912
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	*	*	182	12
KWJ Investments (Pty) Ltd	Investment holding	R100	100	*	*	(41)	(60)
AEL Investment Holdings (Pty) Ltd	Investment holding	R1 000	100	*	*	(1 116)	(1 245)
Investpref Ltd	Investment holding	R1 000	100	*	*	(491)	(568)
Grayston Conduit 1 (Pty) Ltd	Securitised vehicle	R1	∂	*	*	26	26
Gardener Ross Golf and Country Estate (Pty) Ltd	Leisure activities	R100	100	*	*	199	*
Other				*	*	(4)	2
				647	647	360	507

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

∂ *Investec Bank Limited had no equity interest in the following special purpose vehicle, but it is consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entity.*

^ *Mauritius.*

* *Less than R1 million.*

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
28. Other trading liabilities				
Short positions – gilts	389	454	389	454
	389	454	389	454

At 31 March	Group		Company	
R'million	2011	2010*	2011	2010
29. Debt securities in issue				
Repayable in:				
Not more than three months	882	887	832	447
Over three months but not more than one year	644	1 270	444	1 112
Over one year but not more than five years	523	478	287	–
Greater than five years	440	123	–	–
	2 489	2 758	1 563	1 559

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
30. Current taxation				
Income taxation payable	1 013	840	1 012	832
Indirect taxes payable	11	17	12	17
	1 024	857	1 024	849

At 31 March	Group		Company	
R'million	2011	2010*	2011	2010
31. Other liabilities				
Settlement liabilities	426	193	400	162
Dividends payable	15	24	2	2
Other non interest bearing liabilities	387	520	368	460
Other creditors and accruals	1 650	1 758	1 596	1 695
	2 478	2 495	2 366	2 319

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
32. Subordinated liabilities				
Issued by Investec Bank Limited				
IV01 16% unsecured subordinated bonds	180	180	180	180
IV03 16% unsecured subordinated bonds	1 508	1 508	1 508	1 508
IV04 10.75% subordinated unsecured callable bonds	2 062	2 062	2 062	2 062
IV07 variable rate subordinated unsecured callable bonds	941	941	941	941
IV08 13.735% subordinated unsecured callable bonds	200	200	200	200
IV09 variable rate subordinated unsecured callable bonds	200	200	200	200
IV012 variable rate subordinated unsecured callable bonds	250	250	250	250
IV013 variable rate subordinated unsecured callable bonds	50	–	50	–
IV014 10.545% subordinated unsecured callable bonds	125	–	125	–
IV015 variable rate subordinated unsecured callable bonds	1 350	–	1 350	–
	6 866	5 341	6 866	5 341
All subordinated debt issued by Investec Bank Limited and its subsidiaries is denominated in South African Rand.				
Remaining maturity:				
In one year or less, or on demand	180	–	180	–
In more than one year, but not more than two years	3 003	180	3 003	180
In more than two years, but not more than five years	825	3 653	825	3 653
In more than five years	2 858	1 508	2 858	1 508
	6 866	5 341	6 866	5 341

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up, no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

IV01 16% unsecured subordinated bonds

R180 million (2010: R180 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

IV03 16% unsecured subordinated bonds

R1 508 million (2010: R1 508 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds

R2 062 million (2010: R2 062 million) Investec Bank Limited locally registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 variable rate subordinated unsecured callable bonds

R941 million (2010: R941 million) Investec Bank Limited locally registered unsecured subordinated callable bonds due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

32. Subordinated liabilities (continued)

IV08 13.735% subordinated unsecured callable bonds

R200 million (2010: R200 million) Investec Bank Limited locally registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable bonds

R200 million (2010: R200 million) Investec Bank Limited locally registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562.5 basis points above JIBAR payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million (2010: R250 million) Investec Bank Limited IV012 locally registered unsecured subordinated callable bonds are due in November 2019. Interest is paid at 3-month JIBAR plus 325 basis points until 26 November 2014. Interest is payable quarterly in arrears. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014. If not called, the bonds will switch to a 3-month JIBAR plus 450 basis points.

IV013 variable rate subordinated unsecured callable bonds

R50 million (2010: Rnil) Investec Bank Limited IV013 local registered unsecured subordinated callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to 3-month JIBAR plus 275 basis points until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to 3-month JIBAR plus 550 basis points. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million (2010: Rnil) Investec Bank Limited IV014 local registered unsecured subordinated callable bonds are due in June 2020. Interest is payable six monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to 3-month JIBAR plus 550 basis points. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million (2010: Rnil) Investec Bank Limited IV015 local registered unsecured subordinated callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to 3-month JIBAR plus 265 basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to 3-month JIBAR plus 400 basis points. The maturity date is 22 September 2022, but the company has the option to call the bonds from 20 September 2017.

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
33. Ordinary share capital				
Authorised				
105 000 000 (2010: 105 000 000) ordinary shares of 50 cents each.				
Issued				
53 377 417 (2010: 49 168 366) ordinary shares of 50 cents each	27	25	27	25

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

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
34. Perpetual preference shares				
Authorised				
70 000 000 (2010: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.				
Issued				
15 447 630 (2010: 15 276 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R96.46 – R99.99 per share	1 534	1 518	1 534	1 518
– Preference share capital	*	*	*	*
– Preference share premium	1 534	1 518	1 534	1 518

* Less than R1 million.

Share premium on perpetual preference shares is included in the line item share premium on the balance sheet. Refer to note 35. Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of the South African prime interest rate, of the face value of the preference shares held.

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

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

At 31 March	Group		Company	
R'million	2011	2010	2011	2010
35. Share premium				
Share premium on ordinary shares	10 326	9 027	10 326	9 027
Share premium on perpetual preference shares	1 534	1 518	1 534	1 518
Share issue expenses written off	(15)	(15)	(15)	(15)
	11 845	10 530	11 845	10 530

At 31 March	Group	
R'million	2011	2010
36. Non-controlling interests		
Non-controlling interests in partially held subsidiaries	–	4

At 31 March R'million	Group			
	2011		2010	
	Total future minimum payments	Present value	Total future minimum payments	Present value
37. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than 1 year	363	292	771	607
1-5 years	403	353	969	837
Greater than 5 years	–	–	1	1
	766	645	1 741	1 445

Unearned finance income amounted to R120 million (2010: R296 million). There are no finance lease receivables in the company. At 31 March 2011 and 31 March 2010, there were no unguaranteed residual values.

At 31 March R'million	Group		Company	
	2011	2010	2011	2010
38. Notes to cash flow statement				
Operating profit adjusted for non cash items is derived as follows:				
Profit before taxation	2 414	2 526	2 090	1 781
Adjusted for non cash items:				
Gain on realisation of dealing properties	(14)	–	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	95	122	92	119
Impairment losses on loans and advances	852	858	832	794
Operating loss from associates	17	47	–	–
Impairment of associate	25	–	–	–
Operating profit adjusted for non cash items	3 389	3 553	3 014	2 694
Operating assets				
Loans and advances to banks	9 613	(3 269)	7 738	(1 571)
Reverse repurchase agreements and cash collateral on securities borrowed	(4 381)	3 138	(4 381)	3 138
Trading securities	(7 986)	(16 474)	(7 201)	(16 309)
Derivative financial instruments	(3 597)	2 102	(3 663)	2 365
Investment securities	(10 593)	(2 602)	(10 604)	(2 482)
Loans and advances to customers	(4 456)	(1 876)	(4 145)	(1 381)
Securitised assets	1 355	981	(53)	17
Other assets	(57)	(35)	64	(61)
Loans to group companies	(689)	876	(282)	(868)
Increase in operating assets	(20 791)	(17 159)	(22 527)	(17 152)
Operating liabilities				
Deposits by banks	1 444	(2 402)	1 446	(2 188)
Derivative financial instruments	3 351	(3 335)	3 350	(3 317)
Other trading liabilities	(65)	(247)	(65)	(247)
Repurchase agreements and cash collateral on securities lent	4 452	3 992	4 452	4 000
Customer accounts (deposits)	11 593	17 161	12 425	16 849
Debt securities in issue	(269)	605	4	605
Liabilities arising on securitisation	(533)	(479)	53	(17)
Other liabilities	1	18	47	136
Increase in operating liabilities	19 974	15 313	21 712	15 821

At 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
39. Commitments				
Undrawn facilities	21 977	20 186	21 481	19 231
Other commitments	2 040	2 456	2 502	2 891
	24 017	22 642	23 983	22 122
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.				
Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases:				
Less than 1 year	287	263	287	263
1 – 5 years	1 224	1 507	1 224	1 507
Later than 5 years	2 683	2 773	2 683	2 773
	4 194	4 543	4 194	4 543

At 31 March 2011, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 13.5% per annum. The majority of the leases have renewal options. Contingent rent represents payments made to landlords for operating, tax and other escalation expenses.

At 31 March R'million	Group 2011	Group 2010	Company 2011	Company 2010
40. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	9 630	7 676	10 265	7 893
	9 630	7 676	10 265	7 893

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date. Guarantees are issued by Investec Bank Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business. Included in the guarantees issued is a guarantee issued by Investec Bank Limited in favour of the South African Insurance Association for an amount of R20 million (2010: R72 million).

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the group.

41. Related party transactions

For the year to 31 March	Group and company	
R'million	2011	2010
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	61	59
Share-based payments	26	19
	87	78

* *Key management personnel are board directors and members of the global operations forum.*

For the year to 31 March	Group and company	
R'million	2011	2010
Transactions, arrangements and agreements involving directors and others		
Particulars of transactions, arrangements and agreements entered into by the bank with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At beginning of year	130	113
Increase in loans	52	72
Repayment of loans	(63)	(55)
Exchange adjustment	(2)	–
At end of year	117	130
Deposits		
At beginning of year	(317)	(367)
Increase in deposits	(288)	(189)
Repayment of deposits	123	239
Exchange adjustment	6	–
At end of year	(476)	(317)

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

41. Related party transactions (continued)

For the year to 31 March	Group		Company	
R'million	2011	2010	2011	2010
Transactions with other related parties				
Various members of key management personnel have shareholdings in other companies. At 31 March 2011, Investec Bank Limited group had the following loans outstanding from these related parties	22	94	–	46

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

Refer to pages 103 to 110 in the directors' remuneration report for other transactions relating to directors.

Refer to note 26 for loans to group companies and note 27 for loans to/(from) subsidiary companies.

At 31 March R'million	2011	2010
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	519	489
Loans and advances to customers	119	114
Investment securities	3 414	1 815
Interest in associated companies	90	127
Derivative financial instruments	84	36
Liabilities		
Deposits from banks	128	323
Customer accounts (deposits)	10	1
Repurchase agreements and cash collateral on securities lent	796	–
Derivative financial instruments	38	19
Other liabilities	110	–

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

During the year to March 2011, interest of R103.8 million (2010: R56.9 million) was received from entities in the Investec plc group. Interest of R13.4 million (2010: R3.7 million) was paid to entities in the Investec plc group.

In the normal course of business, services are rendered between Investec plc and Investec Bank Limited entities. In the year to 31 March 2011, this resulted in a net payment by Investec plc group of R75.9 million (2010: R43.3 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of R10 million (2010: R14.9 million).

42. Hedges

The group uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central treasury. Once aggregated and netted, Capital Markets, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, central treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, and cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and the hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group:

Fair value hedges

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

42. Hedges (continued)

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2011						
Interest rate swaps	Subordinated bonds	19	(30)	(5)	19	3

IV014 10.545% subordinated unsecured callable bonds commenced on 22 June 2010. Hedging of these bonds commenced on 22 June 2010. Refer to note 32 for further detail relating to these bonds.

During the year certain hedges experienced levels of ineffectiveness. As at year end the hedges were both retrospectively and prospectively effective.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2010						
Interest rate swaps	Subordinated bonds	21	(25)	(6)	16	–

Cash flow hedges

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

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and effect income statement	Ineffective portion recognised in the income statement
2011				
Cross currency swap	Foreign currency bonds	356	3 months to 5 years	–
2010				
Interest rate swaps	Foreign currency bonds	166	1-5 years	3

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

At 31 March R'million	Demand	Up to one month
43. Liquidity analysis of financial liabilities based on undiscounted cash flows		
Group		
2011		
Liabilities		
Deposits by banks	847	1 503
Derivative financial instruments	10 371	5
– Held-for-trading	10 342	–
– Held for hedges	29	5
Repurchase agreements and cash collateral on securities lent	5 944	5 002
Customer accounts (deposits)	43 279	25 686
Debt securities in issue	–	644
Liabilities arising on securitisation	–	134
Other liabilities including other trading liabilities	921	407
	61 362	33 381
Subordinated liabilities	–	–
Total on balance sheet liabilities	61 362	33 381
Contingent liabilities	–	–
Total liabilities	61 362	33 381
2010		
Liabilities		
Deposits by banks	882	1 342
Derivative financial instruments	7 085	1
– Held-for-trading	7 085	–
– Held for hedges	–	1
Repurchase agreements and cash collateral on securities lent	3 281	3 000
Customer accounts (deposits)	41 248	29 727
Debt securities in issue	–	234
Liabilities arising on securitisation	–	755
Other liabilities including other trading liabilities	306	955
	52 802	36 014
Subordinated liabilities	–	–
Total on balance sheet liabilities	52 802	36 014
Contingent liabilities	10 300	739
Total liabilities	63 102	36 753

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'demand' time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows, please refer to page 75.

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
930	912	6 535	229	–	10 956
9	14	15	81	–	10 495
–	–	–	–	–	10 342
9	14	15	81	–	153
–	–	–	–	–	10 946
35 122	15 351	17 849	16 146	1 339	154 772
239	200	444	523	440	2 490
1 165	5	35	834	–	2 173
296	422	81	262	494	2 883
37 761	16 904	24 959	18 075	2 273	194 715
–	–	180	3 828	2 858	6 866
37 761	**16 904**	**25 139**	**21 903**	**5 131**	**201 581**
–	–	–	–	–	–
37 761	**16 904**	**25 139**	**21 903**	**5 131**	**201 581**
631	50	3 394	3 253	–	9 552
–	1	4	54	–	7 145
–	–	–	–	–	7 085
–	1	4	54	–	60
–	–	–	–	–	6 281
32 751	11 243	18 702	8 587	1 133	143 391
653	460	810	478	123	*2 758
2 275	57	–	407	65	3 559
674	274	227	82	1	*2 519
36 984	12 085	23 137	12 861	1 322	175 205
–	–	–	3 833	1 508	5 341
36 984	**12 085**	**23 137**	**16 694**	**2 830**	**180 546**
763	2 286	5 475	1 134	1 693	22 390
37 747	**14 371**	**28 612**	**17 828**	**4 523**	**202 936**

At 31 March R'million	Demand	Up to one month
43. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)		
Company		
2011		
Liabilities		
Deposits by banks	706	1 503
Derivative financial instruments	10 371	5
– Held-for-trading	10 342	–
– Held for hedges	29	5
Repurchase agreements and cash collateral on securities lent	5 944	5 002
Customer accounts (deposits)	42 585	24 262
Debt securities in issue	–	594
Liabilities arising on securitisation	–	2
Other liabilities including other trading liabilities	895	394
	60 501	31 762
Subordinated liabilities	–	–
Total on balance sheet liabilities	60 501	31 762
Contingent liabilities	–	–
Total liabilities	60 501	31 762
2010		
Liabilities		
Deposits by banks	741	1 342
Derivative financial instruments	7 085	1
– Held-for-trading	7 085	–
– Held for hedges	–	1
Repurchase agreements and cash collateral on securities lent	3 281	3 001
Customer accounts (deposits)	40 704	27 687
Debt securities in issue	–	234
Liabilities arising on securitisation	–	467
Other liabilities including other trading liabilities	270	936
	52 081	33 668
Subordinated liabilities	–	–
Total on balance sheet liabilities	52 081	33 668
Contingent liabilities	10 300	739
Total liabilities	62 381	34 407

The balances in the above table will not agree directly to the balances in the balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'demand' time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows, please refer to page 75.

One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
930	370	6 535	229	–	10 273
9	14	15	81	–	10 495
–	–	–	–	–	10 342
9	14	15	81	–	153
–	–	–	–	–	10 946
35 082	15 332	17 641	16 109	1 339	152 350
239	–	444	287	–	1 564
3	5	35	860	–	905
265	379	72	262	494	2 761
36 528	16 100	24 742	17 828	1 833	189 294
–	–	180	3 828	2 858	6 866
36 528	**16 100**	**24 922**	**21 656**	**4 691**	**196 160**
–	–	–	–	–	
36 528	**16 100**	**24 922**	**21 656**	**4 691**	**196 160**
631	50	3 394	2 667	–	8 825
–	1	4	54	–	7 145
–	–	–	–	–	7 085
–	1	4	54	–	60
–	–	–	–	–	6 282
32 572	10 887	18 518	8 457	1 101	139 926
213	456	656	–	–	1 559
361	–	–	–	24	852
635	236	188	82	–	2 347
34 412	11 630	22 760	11 260	1 125	166 936
–	–	–	3 833	1 508	5 341
34 412	**11 630**	**22 760**	**15 093**	**2 633**	**172 277**
763	2 286	5 475	1 134	1 693	22 390
35 175	**13 916**	**28 235**	**16 227**	**4 326**	**194 667**

Notice of annual general meeting of Investec Bank Limited

Investec Bank Limited

Registration number: 1969/004763/06

Notice is hereby given that the annual general meeting of Investec Bank Limited (the company) will be held at 11:00 on 4 August 2011 at the registered office of Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196 to transact the following business:

Ordinary business

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of the company:

1. To receive and adopt the audited financial statements for the year ended 31 March 2011, together with the reports of the directors and of the auditors.
2. To sanction the dividends paid on the ordinary and preference shares for the year ended 31 March 2011.
3. To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors and Farouk Mohideen, as the registered auditor responsible for the audit, to hold office until the conclusion of the annual general meeting of Investec Bank Limited to be held in 2012 and to authorise the directors of the company to fix their remuneration.
4. To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors and Gavin Leslie de Lange, as the registered auditor responsible for the audit, to hold office until the conclusion of the annual general meeting of Investec Bank Limited to be held in 2012 and to authorise the directors of the company to fix their remuneration.
5. To re-elect the following directors by way of a single resolution:

   Messrs GR Burger, B Kantor, B Tapnack and PRS Thomas retire by rotation in terms of the Memorandum of Incorporation and being eligible, offer themselves for re-election. For brief biographical details of the directors to be re-elected, please refer to pages 99 to 101 of the annual report.
6. To resolve that any director or the company secretary of the company, be and they are hereby authorised to do all things and to sign all documents which may be necessary to carry into effect the resolutions contained in this notice to the extent the same have been passed and where applicable, registered.

Special business

To consider and, if deemed fit, to pass, with or without modification, the following resolutions as special resolutions of the company:

7. Special resolution No. 1: Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that:

- with effect from 4 August 2011, Investec Bank Limited hereby approves, as a general approval provided for in the South African Companies Act, No. 71 of 2008, as amended, (the 'Companies Act') the acquisition by Investec Bank Limited or any of its subsidiaries from time to time, of the issued ordinary shares and non-redeemable, non-cumulative, non-participating preference shares (the 'perpetual preference shares') of Investec Bank Limited, upon such terms and conditions and in such amounts as the directors of Investec Bank Limited or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, the Banks Act, No 94 of 1990, as amended, and the listings requirements of the JSE Limited (the JSE listing requirements), being, inter alia, that:
  - (i) any such acquisition of perpetual preference shares shall be effected through the order book operated by the JSE Limited's trading system and done without any prior understanding or arrangement
  - (ii) this general authority shall be valid until Investec Bank Limited's next annual general meeting to be held in 2012, or 15 (fifteen) months from the date of the passing of this special resolution no. 1, whichever is the shorter period
  - (iii) an announcement containing full details of such acquisitions will be published as soon as Investec Bank Limited or any of its subsidiaries has acquired perpetual preference shares constituting, on a cumulative basis, 3% (three percent) of the number of perpetual preference shares in issue, as the case may be, prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached and for each 3% (three per cent) in aggregate acquired thereafter
  - (iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Bank Limited's issued perpetual preference share capital as at the date of passing of this special resolution no. 1
  - (v) in determining the price at which perpetual preference shares issued by Investec Bank Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such perpetual preference shares, as the case may be, may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such perpetual preference shares, as the case may be, are traded on the JSE Limited as determined over the 5 (five) business days immediately preceding the date of acquisition of such perpetual preference shares, as the case may be, by Investec Bank Limited or any of its subsidiaries

(vi) at any point in time, Investec Bank Limited may only appoint 1 (one) agent to effect any acquisition on Investec Bank Limited's behalf and

(vii) Investec Bank Limited and/or its subsidiaries not acquiring any shares during a prohibited period as defined by the JSE listings requirements unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

The reason for and effect of special resolution no. 1 is to grant a renewable general authority to Investec Bank Limited, or a subsidiary of Investec Bank Limited, to acquire ordinary shares and perpetual preference shares of Investec Bank Limited which are in issue from time to time in terms of the Companies Act and the JSE listings requirements.

The directors of Investec Bank Limited have no present intention of making any acquisition but believe that Investec Bank Limited should retain the flexibility to take action if future acquisitions are considered desirable and in the best interests of shareholders. The directors of Investec Bank Limited are of the opinion that, after considering the effect of such acquisition of ordinary shares and perpetual preference shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital or perpetual preference share capital of Investec Bank Limited will be acquired, using the mechanism of the general authority at the maximum price at which the acquisition may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the acquisition) and having regard to the price of the ordinary shares or perpetual preference shares of Investec Bank Limited on the JSE Limited at the last practical date prior to the date of the notice of annual general meeting of Investec Bank Limited convened for 4 August 2011 that:

- Investec Bank Limited and its subsidiaries will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Bank Limited convened for 4 August 2011
- the consolidated assets of Investec Bank Limited and its subsidiaries, fairly valued in accordance with General Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Bank Limited and its subsidiaries for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Bank Limited convened for 4 August 2011
- Investec Bank Limited and its subsidiaries will have adequate capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Bank Limited convened for 4 August 2011 and
- the working capital of Investec Bank Limited and its subsidiaries will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Bank Limited convened for 4 August 2011.

Litigation statement

In terms of section 11.26 of the JSE listings requirements, the directors, whose names appear on page 95 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 95 of the 2011 annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the 2011 annual report, there have been no material changes in the affairs or financial position of Investec Bank Limited and its subsidiaries since the date of signature of the audit report and up to the date of this notice of the annual general meeting of Investec Bank Limited.

The following additional information, some of which may appear elsewhere in the Investec group's 2011 annual report, is provided in terms of the JSE listings requirements for purposes of the general authority:

- Directors and management – annual report page 95 and pages 99 to 101
- Major beneficial shareholders – annual report page 116
- Directors' interests in ordinary shares – annual report page 108
- Share capital of Investec Bank Limited – annual report page 177.

8. Special resolution No. 2: Financial assistance

Resolved that:

- To the extent required by the South African Companies Act No. 71 of, 2008, as amended (the 'Companies Act'), the board of directors of Investec Bank Limited may, subject to compliance with the requirements of Investec Bank Limited's Memorandum of Incorporation, if any, the Companies Act and the Banks Act, No 94 of 1990, as amended, each as presently constituted and as amended from time to time, authorise Investec Bank Limited to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:
  - (i) any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to Investec Bank Limited, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by Investec Bank Limited or a related or inter-related company, or for the purchase of any securities of Investec Bank Limited or a related or inter-related company; and/or
  - (ii) any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of Investec Bank Limited's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by Investec Bank Limited or a related or inter related company, or for the purchase of any securities of Investec Bank Limited or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the forthcoming annual general meeting of Investec Bank Limited.

The reason and effect of this special resolution no. 2 is to enable Investec Bank Limited to comply with the provision of sections 44 and 45 of the Companies Act.

Notwithstanding the title of section 45 of the Companies Act, being 'loans or other financial assistance to directors', on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and entities, including inter alia, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

9. Special resolution no. 3: Directors' remuneration

Resolved that:

- in terms of section 66(9) of the South African Companies Act No. 71 of, 2008, as amended (the 'Companies Act'), payment of the remuneration for the directors of Investec Bank Limited be approved as follows:
  - (i) for the period 1 April 2011 to 31 March 2012: as set out in the Investec group's 2011 annual report;
  - (ii) thereafter but only until the expiry of a period of 24 (twenty four) months from the date of the passing of this special resolution no. 3 has expired (or until amended by a special resolution of shareholders prior to the expiry of such period), on the same basis as above, escalated as determined by the board, up to a maximum of 5% (five per cent) per annum per amount set out as aforesaid.

The reason for and effect of this special resolution no. 3 is to enable Investec Bank Limited to comply with the provisions of Sections 65(11)(h), 66(8) and 66(9) of the Companies Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by the shareholders within the previous two years.

For more information on the directors' remuneration, please refer to the Investec group's 2011 annual report.

Voting and proxies

Holders of the non-redeemable, non-cumulative, non-participating preference shares, bonds, unsecured subordinated notes, subordinated unsecured callable notes, fixed rate upper tier 2 notes and floating rate upper tier 2 notes shall be entitled to attend the meeting, but not to vote on any of the resolutions. Accordingly a proxy form is not included with this notice.

By order of the board

Benita Coetsee
Company secretary
Sandton

15 June 2011

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Notes

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