ANNUAL REPORT 2012

Investec Bank Limited group and company annual financial statements

2012

Out of the Ordinary®

Investec

Specialist Bank and Asset Manager

Corporate information

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Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young Inc.

Investec directors

Refer to page 87.

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Investec in perspective

Investec in perspective

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.

Mission statement

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

What we do

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

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 an ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Values

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

Philosophies

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

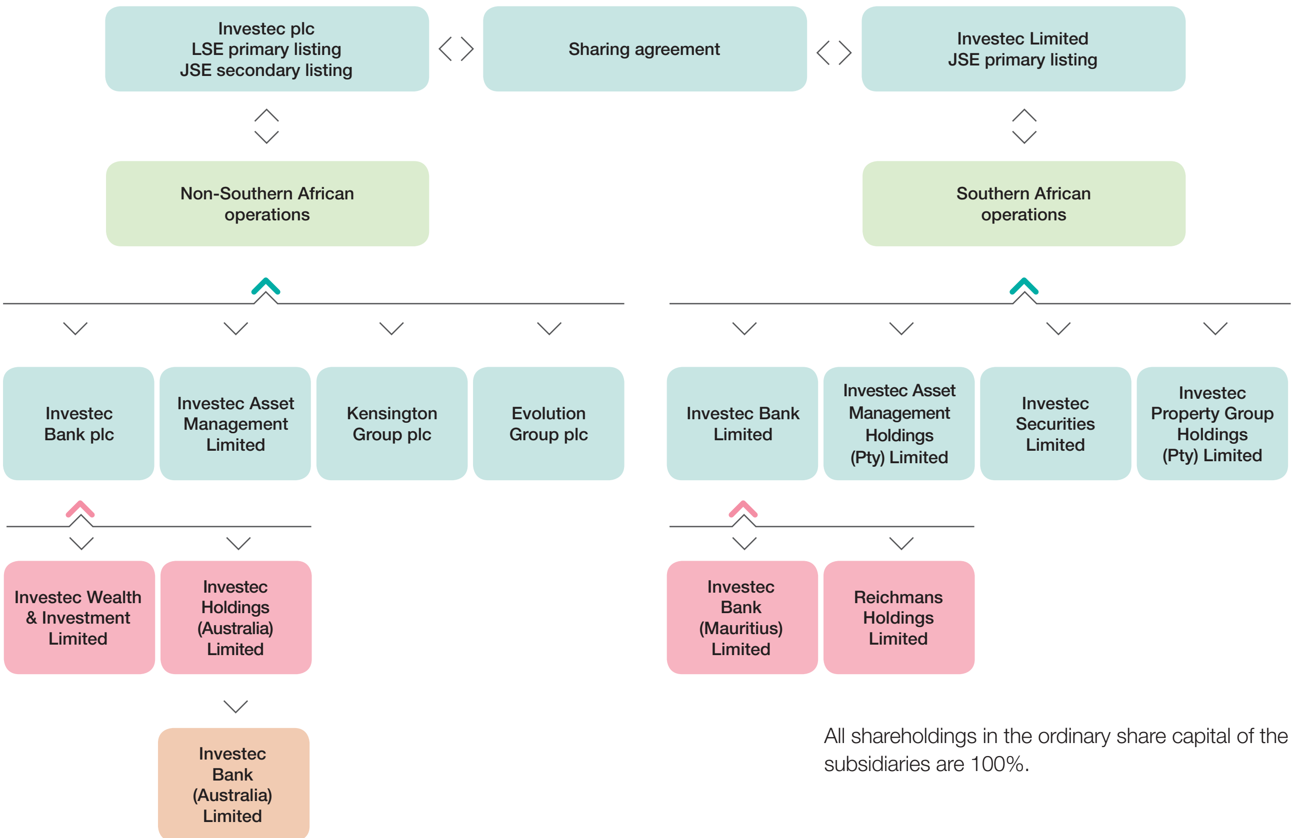
Overview of Investec's and Investec Bank Limited's organisational structure

Operational 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 2012



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

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

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.

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Overview of the activities of Investec Bank Limited

Overview of the activities of Investec Bank Limited

Introduction

The bank operates as a specialist bank within Southern Africa, focusing on three key areas of activity.

Corporates/government/institutional clients

Corporate Advisory and Investment activities
- Advisory
- Principal investments

Corporate and Institutional Banking activities
- Treasury and trading services
- Specialised finance

High income and high net worth private clients

Private Banking activities
- Transactional banking
- Lending
- Deposits
- Investments
- Advice

Systems and infrastructure

Corporate Advisory and Investment activities

Corporate Advisory and Investment activities engage 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: advisory and principal investments. Our institutional stockbroking activities are conducted outside of the bank in Investec Securities Limited.

Our target market includes: corporates, government and institutional clients.

Corporate and Institutional Banking activities

Corporate and Institutional Banking activities provide 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.

Private Banking activities

Private Banking 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.

Segmental reporting

In alignment with information provided to the chief operating decision maker, the previously reported Private Banking, Investment Banking, Capital Markets and Group Services and Other divisions have now been grouped under one segment and collectively referred to as Specialist Banking. Accordingly no additional disclosures have been provided regarding the segmental results as the bank only has one segment.

The realignment to a single Specialist Bank is currently being processed from an operational perspective. The current reporting reflects elements of the historical view of the businesses to enable an effective comparison. As this transition develops the reporting will evolve accordingly.

Financial review

Snapshot of the year and strategic focus

Highlights

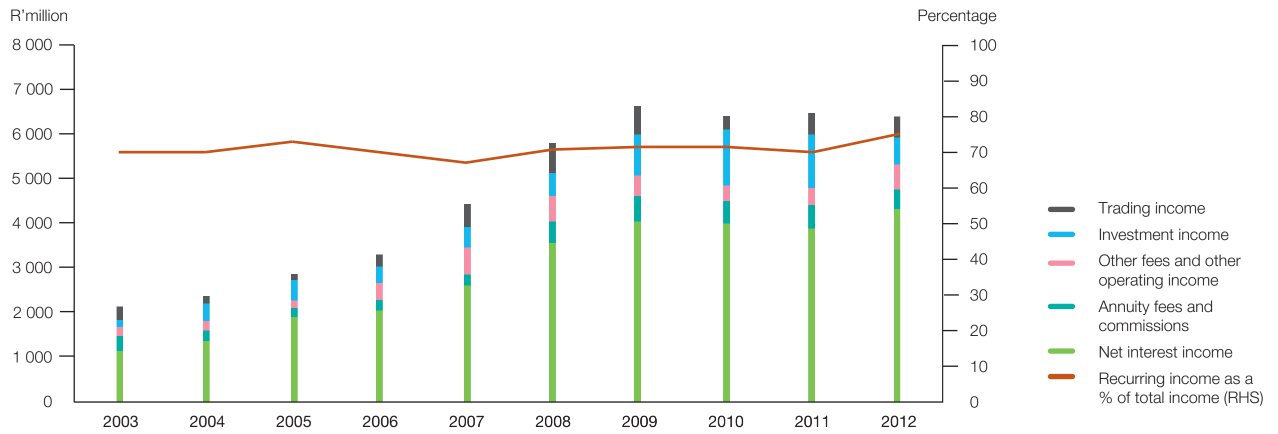
- Investec Bank Limited recorded a decrease in headline earnings attributable to ordinary shareholders of 17.3% to R1 812 million
- A diversified business model continues to support a large recurring revenue base, totalling 89.3% of operating income (2011: 67.9%)
- Activity levels showed improvement, with the private banking, corporate banking and advisory businesses performing well
- Net interest income increased by 10.3% to R4 269 million and net fees and commissions increased by 16.1% to R1 055 million
- Investment income decreased by 51.2% to R589 million
- Impairments on loans and advances decreased by 2.2% with the credit loss charge improving from 0.74% at 31 March 2011 to 0.69%
- The bank has maintained a strong capital and liquidity position:
  - Tier 1 ratio of 11.4%
  - Cash and near cash balances rose 31.3% to R69.1 billion
  - Customer deposits increased by 13.8% to R176.1 billion
  - The ratio of loans and advances to deposits improved from 73.9% to 69.6%
  - Low gearing ratios, core loans and advances to equity fell to 6.0 times (2011: 6.1 times)
- Investment in the Investec brand continues.

Financial features

	31 March 2012	31 March 2011	% change
Operating profit before taxation and headline adjustments (R'million)	2 173	2 414	(10.0%)
Headline earnings attributable to ordinary shareholders (R'million)	1 812	2 191	(17.3%)
Cost to income ratio	52.7%	49.3%	
Total capital resources (including subordinated liabilities) (R'million)	29 642	25 703	15.3%
Total equity (R'million)	20 933	18 837	11.1%
Total assets (R'million)	255 952	221 562	15.5%
Net core loans and advances (R'million)	124 917	115 373	8.3%
Customer accounts (deposits) (R'million)	176 094	154 772	13.8%
Cash and near cash balances (R'million)	69 077	52 591	31.3%
Capital adequacy ratio	16.1%	15.6%	
Tier 1 ratio	11.4%	11.5%	

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

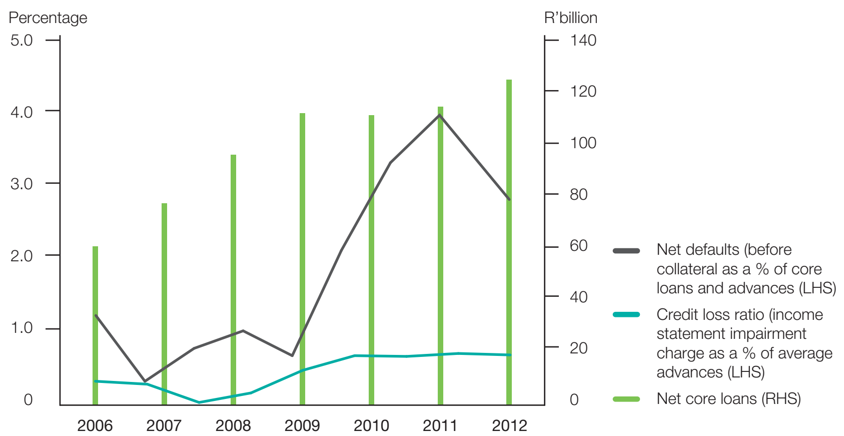
Total operating income



Overall level of defaults and impairments are much improved…

Impairments/(recoveries) by business

Defaults and core loans



Credit quality on core loans and advances has improved during the year in review.

- Core loans and advances increased by 8.3% to R124.9 billion
- Default loans (net of impairments) as a percentage of core loans and advances decreased from 4.13% to 2.79% as some transactions have been settled and others have been written off
- The credit loss ratio improved from 0.74% to 0.69%
- The majority of defaults relate to private client loans. 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
- The Corporate Client division reported one material default for the year and a settlement of a historical default exposure
- Net defaults (after impairments) remain fully collateralised.

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 remains in place
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets – representing 25% to 35% 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 69.6% (2011: 73.9%).

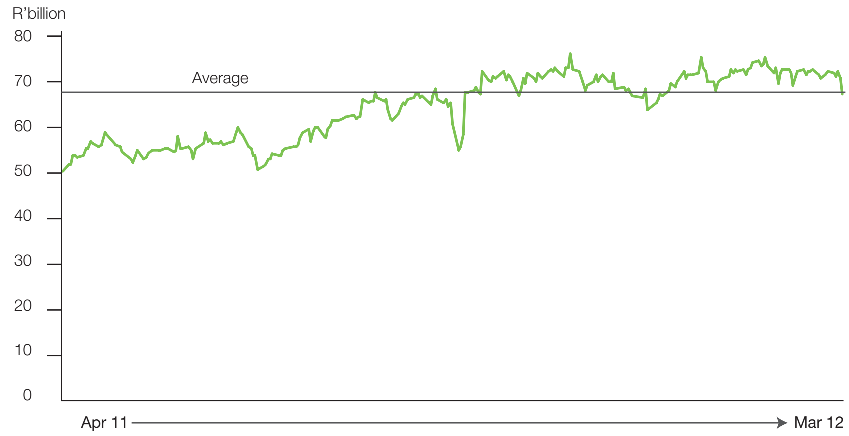
Sound capital and liquidity position maintained…

Capital adequacy and tier 1 ratios

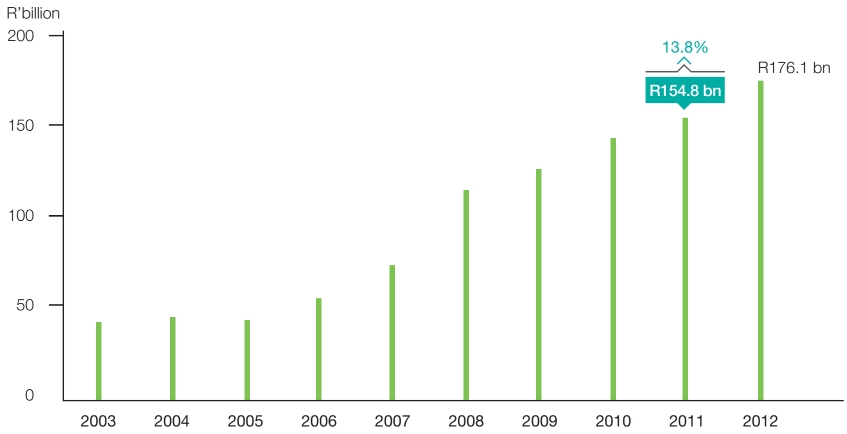
	31 March 2012		31 March 2011	
	Capital adequacy ratio	Tier 1 ratio	Capital adequacy ratio	Tier 1 ratio
Investec Limited	16.1%	11.6%	15.9%	11.9%
Investec Bank Limited	16.1%	11.4%	15.6%	11.5%

…and benefited from growing retail franchise

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

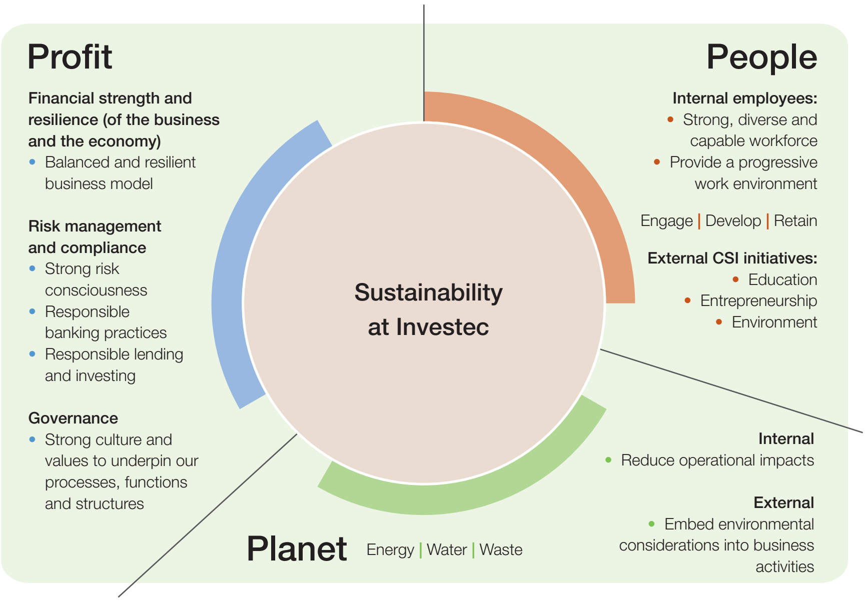


Customer accounts (deposits)



Sustainability considerations

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact or prolongs the life of our planet.



Non-financial performance highlights for Investec Limited

	31 March 2012	31 March 2011
Social		
Training spend on employees (R'million)	100.6	92.2
Corporate social investment spend (R'million)	34.1	38.4
Environmental		
Carbon emissions per full-time employee (CO_2 metric tonnes)	12.73	11.19
Carbon emissions per m^2 of office space (CO_2 metric tonnes)	0.53	0.46

Highlights from the year

- We implemented a sustainability reporting system that will collect and measure our non-financial data to ensure consolidation and alignment across the group
- Energy efficient installations and upgrades were done at two Investec office buildings, in Sandton and Pretoria, which resulted in electricity savings equivalent to power the lights of about 5 280 average homes in South Africa
- Investec received first prize in BANKSETA's skills@work 'large employers' category for our efforts in skills development within the financial services sector in South Africa
- We completed our second Department of Trade and Industry BEE verification according to the generic codes and were awarded level 3 rating status by Empowerdex, an improvement of 8.04 points
- Investec Energy Finance concluded a 15-year €50 million Climate Action Framework Loan Facility with the European Investment Bank (EIB) to be used for funding energy-efficient and clean energy projects in South Africa. We also agreed to partner with BirdLife South Africa to fund research on the environmental impact of renewable energy on local birdlife.

Investec's sustainability philosophy is based on the recognition that we are a specialist bank and asset manager driven by our commitment to our culture and values.

Sustainability at Investec is a key strategic issue and is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients and stakeholders' wealth based on strong relationships of trust.

Dow Jones Sustainability Indexes
Member 2011/12

JSE JOHANNESBURG STOCK EXCHANGE SRI Index

FTSE4Good

3

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 activities with financial risk activities
- 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 10% 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.

Investec group's long-term strategy

- Since inception we have expanded through a combination of organic growth and strategic acquisitions
- The internationalisation of Investec is based on the following strategy:
  - following our customer base
  - gaining domestic competence and critical mass in our chosen geographies
  - facilitating cross-border transactions and flow
- Our strategy for the past 20 years has been to build a diversified portfolio of businesses and geographies to support clients (institutional, corporate and private individuals) through varying markets and economic cycles
- In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Outlook

- In the face of challenging global market conditions, we continued to pursue our strategy of realigning the business model towards less capital intensive activities and concentrating on reducing legacy issues
- Our competitive position is strong with all platforms in place and our client franchise is robust
- We have the right people and skills to take advantage of opportunities in our identified niches, focusing on winning new clients and servicing existing clients in the best possible way
- The operating environment remains unpredictable and we continue to build on the solid foundation, driving organic growth in our chosen businesses whilst maintaining strong cost and capital discipline.

Our current strategic focus is to…

- Build low capital intensive revenue
- Tightly manage costs while still investing for the future
- Maintain appropriate levels of capital and liquidity
- Continue the path of implementing our single bank strategy to create additional operational efficiencies and better service our clients
- Capture trade and investment opportunities between developed and emerging economies.

South Africa achieved economic growth of close to 3.0% in 2011/12, similar to the year before, as the country's long-term wealth creation trend was re-established.

3

The commentary and analysis of the bank's results for the year ended 31 March 2012 provides an overview of our financial performance relative to the bank's results for the year ended 31 March 2011. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the bank going forward.

An overview of the operating environment impacting our business

South Africa

South Africa achieved economic growth of close to 3.0% in 2011/12, similar to the year before, as the country's long-term wealth creation trend was re-established. Growth has tended to average 3.3% year-on-year over the ANC's tenure, from 1994 to date, and real incomes per capita have risen to a large extent, from R27 521 per person in 1993 to R38 734 in 2011. It has been a situation where growth begets growth. The compounding effect of 18 years of virtually uninterrupted economic expansion has considerably raised incomes and the size of the economy. Inflation has been consistently combated and South Africans have, in the main, experienced a higher standard of living each year. There are now substantially fewer individuals in the lowest income and living standard measures when compared to 1994. The poor have benefited from a massive rollout of services (although further rollout and substantially improved quality is outstanding). Welfare payments have been responsible from lifting many out of the lowest living standard and income measures. Stubbornly high levels of unemployment (due chiefly to a skills mismatch) and attendant poverty (with a Gini coefficient above 60 representing a high degree of income inequality) in part belies this positive income story. However, without the significant rise in wealth levels and concomitant expansion in government tax revenues the sustained deepening of the welfare net could not have occurred.

Once again, according to the Global Competitiveness Report, South Africa's private sector was ranked highly on its financial system. Soundness of banks was ranked second from sixth previously, auditing and reporting standards were ranked first again and efficacy of corporate boards was ranked second again. South Africa's fiscal deficit shrank, from 6.5% of GDP in 2009/10 to 4.8% in 2011/12, as the economy experienced its second year of significant expansion, and clearly no monies were needed for financial sector bailouts. The deficit is expected to drop to 3.0% year-on-year in 2014/15 as fiscal health improves further on strengthening growth (we expect growth will approach 5.0% year-on-year by 2014/15). The resultant real rise in incomes and tax revenues will fund both welfare and vitally needed services such as education and health. This is key, as the achievement of a low, single digit unemployment rate will depend on adequate education and poverty reduction. South Africa's low level of sovereign debt (33.3% of GDP) means it can comfortably increase borrowings (expected to peak at 38.5% of GDP in 2014/15) to fund capital investment (both fixed and human) and government's proposed R3 trillion infrastructure rollout. Effective, and consistent, implementation of this infrastructure rollout, with the necessary private sector involvement, has the potential to eradicate structural unemployment and so considerably reduce poverty and inequality within thirty years.

United Kingdom

Over the 2011/12 financial year, the UK economy remained weak. The latest statistics from the Office for National Statistics show the UK economy having reported only one quarter of growth, contracting in the remaining three quarters. As the year closed, UK GDP still stood 4.3% below its pre-recession peak. Seeking to support the UK economy onto some form of recovery footing, and having fended off calls for tighter policy as inflation trended upwards, the UK Monetary Policy Committee kept policy highly expansionary during the period under review. The official bank rate remained at 0.5% throughout the year, marking three years of record low rates in March 2012. Signs of a slowdown in the economy and a tightening in credit conditions resulted in the committee sanctioning further Quantitative Easing (QE) in October 2011. Originally the MPC voted to add a further £75 billion of asset purchases to take the target to £275 billion, but the Committee raised the QE target by another £50 billion in February 2012 to £325 billion. The UK's long-term sovereign credit rating remained at AAA according to all the main ratings agencies, but both Moody's and Fitch placed Britain on a negative outlook in the 2011/12 period. However, there was not a perceptible market reaction to this news with confidence aided by the Chancellor's continued tough emphasis on 'Plan A' for fiscal consolidation.

Eurozone

As the 2011/12 financial year got underway, the Euro area economy was showing signs of recovery, assisted by some settling in Euro crisis tensions. With inflation having been subject to upward pressures following increases in oil and commodity prices, the ECB Governing Council voted to raise its main refinancing rate by 25bps in both April and July 2011, to 1.5%. When the ECB voted to lift the refi rate in July the economic outlook had already begun to deteriorate rapidly, not helped by agreement on a second Greek bailout unravelling fairly soon after it was announced. Further, talk of private sector bondholder losses, subsequently enforced, also raised the level of unease. From June 2011, concerns over the vulnerability of various peripheral Euro area sovereign markets, especially Italy and Spain, also began to weigh more heavily on markets, triggering a sharp tightening in credit conditions through summer 2011 onwards. To help get the flow of credit moving again, and to assist banks in refinancing an estimated €240 billion of maturing liabilities in the first three months of 2012, the ECB held two three-year Longer-Term Refinancing Operations (LTROs), whose combined take-up exceeded €1 trillion. Indeed at the end of March 2012 the Eurosystem had over €750 billion of excess liquidity. The second Greek bailout was eventually renegotiated and rubber stamped in March 2012, easing fears of an uncontrolled default by the Hellenic Republic. Sentiment was also stabilised towards the end of the financial year by Euro area authorities giving the go ahead to run the two rescue facilities, the European Financial Stability Facility and its replacement, the European Stability Mechanism, in tandem, thereby raising Europe's bailout capacity by €200 billion to €700 billion. As the financial year closed, the Euro area economy appeared to be showing some signs of stabilisation, albeit at very low levels with the Euro area economy likely to have contracted again in the first half of 2012. With Euro crisis risks continuing to loom large and with Spain and Italy still in the frame for further bouts of contagion, the Eurozone entered the new 2012/13 financial year on a weak and vulnerable footing.

Australia

As the 2011/12 financial year got underway, the Australian economy was recovering quickly from the floods that weighed heavily on the Q1 2011 growth outturn. In the third and fourth quarters the economy continued to expand, but at a more moderate pace than in Q2. Consumption and investment remained robust through the year, with the latter continuing to gain support from buoyant Asian resource demand. As fears over the Euro area debt crisis, and some signs of slowing growth in China risked weighing on growth in the period ahead, the Reserve Bank opted to add the safety net of a cut in the Cash Rate, reducing it by 25bps in November and December 2011 to 4.25%. A few nerves over possible upside risks to inflation, as oil prices began to track upwards again at the turn of 2012, put on ice any further moves to ease policy at the start of 2012. As the financial year closed the Cash Rate remained at 4.25%. The Australian Dollar exhibited periods of extreme strength at points during the period, exceeding the USD1.10 level in July 2011. It was then subject to selling pressure in October and November as risk appetite took a hit; this took it below parity, but it subsequently closed the 2011/12 financial year at USD1.0350.

United States

The US economy continued to grow moderately through the 2011/12 financial year, with disruption from political fights over the US debt ceiling, and the impact of spring 2011's sharp increase in oil prices, weighing on growth, but not putting the brakes on recovery altogether. In the period under review US GDP surpassed its pre-recession peak, with the continued growth helping to bring the unemployment rate down from 9.0% in April 2011 to 8.2% in March 2012. Over the financial year as a whole, the US economy grew by 1.7%. However, housing market activity remained heavily depressed, with only a few signs of a modest increase in activity appearing at the turn of 2012. US monetary policy remained highly accommodating throughout the financial year, with the Federal Reserve having stayed nervous about the downside risks posed, particularly by the continuation of the Euro area sovereign debt crisis. Not content with the pace of improvement in the labour market and fearful of the Euro crisis, the Fed sought to ease policy by introducing written guidance into its policy statements in August 2011. The statements sought to convince markets that Fed policy would remain loose for a sustained period, with the wording of the statement in August implying the Federal funds target rate would remain close to current lows, of 0.0% – 0.25% until mid-2013. In January 2012, the Federal Reserve extended that language to imply that rates would remain low for even longer, until at least through late-2014.

Fears over the sluggishness of the US housing sector, and the extent to which this could weigh on the jobs recovery, may have been the decisive factor in encouraging the Fed to embark on 'Operation Twist' in September 2011. Under the programme, the Fed is selling USD400 billion of shorter-term Treasury securities and using the proceeds to buy longer-term Treasury securities, extending the average maturity of the Fed's security portfolio and aiming to put downward pressure on longer-term rates. As the final quarter of the 2011/12 financial year progressed, the US appeared to shift onto a firmer recovery footing, with survey data continuing to have firmed and with the jobs recovery somewhat brighter too. As the financial year drew to a close, the US outlook remained bright, but with the threat of an oil price increase weighing on consumer spending and growth, a continuing threat.

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

	Period ended 31 March 2012	Period ended 31 March 2011	% change	Average over the period: 1 April 2011 to 31 March 2012
Market indicators				
FTSE All share	3 003	3 068	(2.1%)	2 930
JSE All share	33 554	32 204	4.2%	32 019
Australia All ords	4 420	4 929	(10.3%)	4 417
S&P 500	1 408	1 326	6.2%	1 279
Nikkei	10 084	9 755	3.4%	9 183
Dow Jones	13 212	12 320	7.2%	12 160
Exchange rates				
Rand:Pounds Sterling	12.27	10.88	12.8%	11.85
Rand:US Dollar	7.67	6.77	13.3%	7.45
US Dollar:Euro	1.33	1.42	(6.3%)	1.38
Euro:Pounds Sterling	1.20	1.13	6.2%	1.16
Australian Dollar:Pounds Sterling	1.54	1.55	(0.6%)	1.52
US Dollar:Pounds Sterling	1.60	1.60		1.60
Rates				
UK overnight	0.48%	0.45%		0.52%
UK 10 year	2.20%	3.69%		2.63%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three month	1.03%	0.82%		0.94%
SA R157 (2015)	6.69%	7.82%		7.00%
Rand overnight	5.26%	5.23%		5.24%
SA prime overdraft rate	9.00%	9.00%		9.00%
JIBAR – three month	5.60%	5.58%		5.58%
Reserve Bank of Australia cash target rate	4.25%	4.75%		4.55%
US 10 year	2.21%	3.47%		2.41%
Commodities				
Gold	USD1 667/oz	USD1 432/oz	16.4%	USD1 647/oz
Gas Oil	USD1 014/mt	USD993/mt	2.1%	USD960/mt
Platinum	USD1 639/oz	USD1 768/oz	(7.3%)	USD1 676/oz
Macro-economic				
UK GDP (% change over the period)	0.3%	1.8%		
UK per capita GDP (£)	24 031	23 362	2.9%	
South Africa GDP (% real growth over the calendar year)	2.2%	3.8%		
South Africa per capita GDP (real value) (Rand)	38 232	36 591	4.5%	
Australia GDP (% change over the period)	2.6%	2.4%		
Australia per capita GDP (A$)	63 744	60 178	5.9%	

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

An overview of our key income drivers

The bank operates as a specialist bank providing a wide range of financial products and services to a niche client base in South Africa and Mauritius.

The key income drivers for our business are discussed below.

Business activity	Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
Specialist Banking			
	• Lending activities	• Rate environment • Size of portfolios • Clients' capital and infrastructural investments • Client activity	• Net interest income • Fees and commissions • Investment income
	• Cash and near cash balances	• Rate environment • Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements	• Net interest income • Trading income arising from balance sheet management activities
	• 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 • Fees and commissions
	• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads	• Net interest income • Investment income
	• Advisory services	• The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals	• Fees and commissions

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
Specialist Banking (continued)			
	• Derivative sales, trading and hedging	• Client activity • Market conditions • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Fees and commissions • Trading income arising from customer flow
	• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure	• Net interest income • Fees and commissions

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 30 to 53
Liquidity risk may impair our ability to fund our operations	See pages 65 to 71
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 62 to 65
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 58 to 61
We may be unable to recruit, retain and motivate key personnel	See the Investec group's 2012 integrated annual report
Employee misconduct could cause harm that is difficult to detect	See pages 71 to 74
Operational risk may disrupt our business or result in regulatory action	See pages 71 to 74
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 71 to 74
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 75 to 82
The financial services industry in which we operate is intensely competitive	See pages 14 to 16
Legal and regulatory risks are substantial in our businesses	See page 74 and 75
Reputational, strategic and business risk	See page 74

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Overview

The bank posted a decrease in headline earnings attributable to ordinary shareholders of 17.3% to R1 812 million (2011: R2 191 million). The balance sheet remains strong with a capital adequacy ratio of 16.1% (2011:15.6%).

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the results for the year ended 31 March 2011.

Income statement analysis

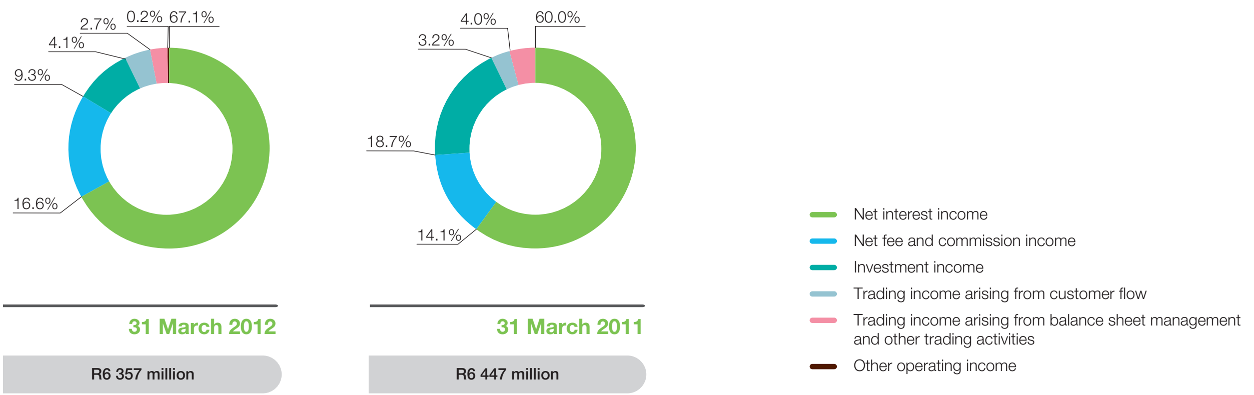
The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income

Total operating income before impairment losses on loans and advances of R6 357 million is 1.4% lower than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2012	% of total income	31 March 2011	% of total income	% change
Net interest income	4 269	67.1%	3 870	60.0%	10.3%
Net fee and commission income	1 055	16.6%	909	14.1%	16.1%
Investment income	589	9.3%	1 208	18.7%	(51.2%)
Trading income					
– Arising from customer flow	259	4.1%	209	3.2%	23.9%
– Arising from balance sheet management and other trading activities	175	2.7%	253	4.0%	(30.8%)
Other operating income	10	0.2%	(2)	–	>100.0%
Total operating income before impairment losses on loans and advances	6 357	100.0%	6 447	100.0%	(1.4%)

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



Net interest income

Net interest income increased by 10.3% to R4 269 million (2011: R3 870 million) largely as a result of improved margins and a sound performance from the bank's fixed income portfolio, partially offset by higher costs on subordinated liabilities.

A further analysis of interest received and interest paid is provided in the tables below.

For the year ended R'million	Notes	31 March 2012 Balance sheet value	31 March 2012 Interest received	31 March 2011 Balance sheet value	31 March 2011 Interest received
Cash, near cash and bank debt and sovereign debt securities	1	99 394	4 493	73 004	3 487
Core loans and advances	2	124 917	10 633	115 373	10 916
Private Client		92 359	7 667	82 971	7 270
Corporate, institutional and other clients		32 558	2 966	32 402	3 646
Other debt securities and other loans and advances		6 953	256	5 672	323
Other interest earning assets	3	4 862	468	8 078	206
Total interest earning assets		236 126	15 850	202 127	14 932

For the year ended R'million	Notes	31 March 2012 Balance sheet value	31 March 2012 Interest paid	31 March 2011 Balance sheet value	31 March 2011 Interest paid
Deposits by banks and other debt-related securities	4	33 845	661	24 178	613
Customer accounts		176 094	9 773	154 772	9 734
Other interest bearing liabilities	5	3 425	370	2 174	32
Subordinated liabilities		8 709	777	6 866	683
Total interest bearing liabilities		222 073	11 581	187 990	11 062
Net interest income			4 269		3 870

Notes
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Includes intergroup loans.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

Net fee and commission income

Net fee and commission income increased by 16.1% to R1 055 million (2011: R909 million) supported by increased activity in the corporate and advisory business.

For a further analysis on net fee and commission income refer to pages 130.

Investment income

Investment income decreased by 51.2% to R589 million (2011: R1 208 million) largely due to a weaker performance from the bank's listed principal investments portfolio.

For a further analysis on net fee and commission income refer to pages 130 and 131.

Trading income

Trading income arising from customer flow increased by 23.9% to R259 million (2011: R209 million) whilst trading income arising from balance sheet management and other trading activities decreased by 30.8% to R175 million (2011: R253 million) reflecting lower activity on the balance sheet management desk.

Impairment losses on loans and advances

Impairment losses on loans and advances decreased by 2.2% from R852 million to R833 million. The credit loss charge as a percentage of average gross loans and advances has improved from 0.74% at 31 March 2011 to 0.69%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.79% (2011: 4.13%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.68 times (2011: 1.49 times). Further information on asset quality is provided on pages 44 to 52.

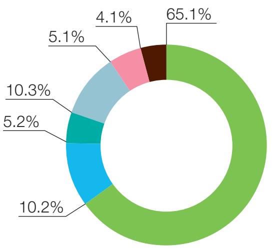
Operating costs

Total operating expenses grew by 5.3% to R3 351 million (2011: R3 181 million) largely as a result of inflationary adjustments with the ratio of total operating costs to total operating income amounting to 52.7% (2011: 49.3%).

The various components of total expenses are analysed below.

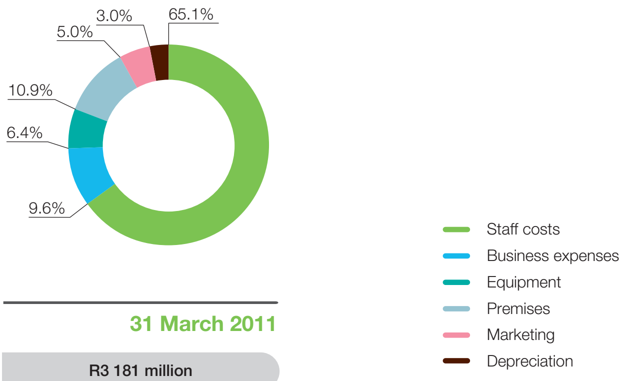
R'million	31 March 2012	% of total expenses	31 March 2011	% of total expenses	% change
Staff costs (including directors' remuneration)	2 181	65.1%	2 070	65.1%	5.4%
Business expenses	343	10.2%	305	9.6%	12.5%
Equipment (excluding depreciation)	173	5.2%	203	6.4%	(14.8%)
Premises (excluding depreciation)	347	10.3%	349	10.9%	(0.6%)
Marketing expenses	171	5.1%	159	5.0%	7.5%
Depreciation	136	4.1%	95	3.0%	43.2%
Total operating costs	3 351	100.0%	3 181	100.0%	5.3%

% of total expenses



31 March 2012

R3 351 million



31 March 2011

R3 181 million

Balance sheet analysis

Since 31 March 2011:

- Total shareholders' equity (including non-controlling interests) increased by 11.1% to R20.9 billion largely as a result of retained earnings and the issue of shares
- Total assets increased by 15.5% to R256.0 billion largely as a result of an increase in cash and near cash balances held and an increase in core loans and advances.

Key areas of activity

An analysis of the performance of the key areas of activity within the Specialist Bank is provided below.

Private Banking activities

Overview of performance

Private Banking posted operating profit of R313 million (2011: R47 million) largely as a result of an increase in net margins and decreased impairments. The private client core lending book grew by 11.3% from R83.0 billion to R92.4 billion and the deposit book grew by 11.1% from R56.1 billion to R62.3 billion.

Developments

- Private Banking activities have been separated into two focus areas, namely high income and high net worth, in order to enhance the offering and the commensurate profitability
- This renewed focus on core banking in the high income space is aimed at improving the client experience, increasing our client acquisition and utilisation of our core products
- The raising of retail, private client and SME deposits is an important focus for the business. New products are being developed in an effort to drive growth and duration of our deposit base
- Lending activity levels have improved significantly compared to the previous year. Due to growth in repayments, overall asset growth was moderate
- The economic environment remains subdued; however, the Private Banking division experienced a declining trend in new defaults and impairments during the past 18 months
- Costs have been well contained during this period through an ongoing process of realignment of structures and processes.

Looking forward

Economic growth is expected to remain subdued, with a tight mortgage market continuing to impact residential property prices.

The key objectives for the forthcoming period are:

- Continue to build profitability as a result of improved activity levels in both lending and funding activities and a further anticipated reduction in impairments
- Grow 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
- Diversify the deposit base in terms of client and product
- Balance cost containment with investment for the future
- Continue to align processes and structures to support client focus and consistency
- Ongoing focus on distressed and default deals to ensure actual losses are minimised.

Corporate Advisory and Investment activities

Overview of performance

Corporate Advisory and Investment activities posted a decrease in operating profit of 56.4% to R345 million (2011: R791 million). The investments held within the private equity portfolio continued to perform well. The Advisory business posted a strong increase in net fees and commissions earned. Results were however negatively impacted by a weaker performance from the listed principal investments portfolio due to market volatility.

Developments

Advisory

- 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 and regulatory conditions
- The total value of advisory transactions decreased to R60.4 billion (2011: R76.9 billion) during the period and the number of transactions increased to 61 (2011: 60)
- Sponsor broker deals completed during the period increased to 97 (2011: 74) with the value decreasing to R61.2 billion (2011: R91.5 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and first in general corporate finance in *Dealmakers* Magazine Survey for Corporate Finance (2011 calendar year). This is the ninth year that we have been ranked first in volume of listed M&A transactions in the last 11 years
- The Sponsor division was ranked first in volume of M&A transactions and first in general corporate finance in the *Dealmakers* Magazine Survey for Sponsors (2011 calendar year). The Sponsor division has been ranked in the top two in M&A transactions and general corporate finance by volume for the past nine years.

Principal investments

- The direct investments portfolio was R2 160 million at 31 March 2012 (March 2011: R2 511 million). The decrease in value was primarily due to realisations
- The private equity portfolio was R4 223 million at 31 March 2012 (March 2011: R3 838 million). We continued to expand the capacity of our private equity investments through the acquisition of four 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 primarily by new acquisitions.

Looking forward

Advisory

- The deal pipeline in the 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 in South Africa
- All of the companies in our private equity portfolio in South Africa are trading profitably in difficult market conditions and the overall outlook remains positive for the future.

Corporate and Institutional Banking activities

Overview of performance

Corporate and Institutional Banking posted an increase in operating profit of 1.0% to R1 231 million (2011: R1 219 million) benefitting from a strong increase in net fees and commissions earned and a solid return on the division's fixed income portfolio. The lending book, however, remained flat at R27.8 billion and lower levels of activity were experienced by the treasury and trading businesses.

Developments

Treasury and trading services

- Significant surplus liquidity levels were maintained during the period 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 successfully launched the Credit Derivatives Trading business
- We successfully rolled out our E Commerce offering for online corporate trading
- We successfully launched CFDs
- Our commodities investment business was implemented successfully to allow for investment products and corporate hedging
- We successfully established our clearing business.

Specialised finance

- The corporate market continues to remain weak with low levels of activity leading to depressed lending activity and consequently, moderate hedging activity. We have however, seen an increase in the pipeline in our lending businesses
- We established a supplier asset-based finance business during the year
- An African coverage unit has been established to increase our footprint in Africa
- Activity in the renewable energy sector offers encouraging opportunities for the future.

Looking forward

- We continue to build and grow sustainable businesses on the back of client-driven transactional flow in derivatives and financial markets
- 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
- We look to leverage and grow our African exposure
- We continue to exploit opportunities in the renewable energy sector.

4

Risk and governance

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
- Coordinate 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 26 to 83) with further disclosures provided within the financial statements section (pages 112 to 184). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The group recognises that an effective risk management function is fundamental to the sustainability of its business. 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 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 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 14 to 16.

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 executive 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 predetermined targets above a risk and capital weighted return. This model has been consistently applied within the group 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 sound financial strength and integrity, a core competency and an established track record. Impairments have decreased from R852 million to R833 million. The credit loss charge as a percentage of average gross loans and advances has improved from 0.74% at 31 March 2011 to 0.69%

- Limited exposure to rated and unrated structured credit investments; representing approximately 1.1% of total assets
- A low leverage (gearing) ratio of 12.0 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with level 3 assets amounting to 0.01% of total assets
- Low equity (investment) risk exposure; within total investments comprising 2.7% 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 when 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; cash and near cash of approximately R69.1 billion, representing 31.3% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a growing retail franchise
- Healthy capital ratios; we have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. We have continued to strengthen our capital base during the year
- A high level of recurring income which continues to support sustainability of operating profit.

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 36 and 37, page 61 and pages 69 and 70), with a high level summary of the most salient aspects provided below.

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

Credit risk

Credit quality on core loans and advances has improved during the year in review. Core loans and advances increased by 8.3% to R124.9 billion. Default loans (net of impairments) as a percentage of core loans and advances decreased from 4.13% to 2.79% as some transactions have settled and others have been written off. The credit loss ratio improved from 0.74% to 0.69%. The majority of current year and historical defaults were recorded in the private client loan portfolio 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.

Traded market risk

Market conditions have not been conducive to client flow or proprietary trading. FX markets have been volatile with little or no clear trend as European conditions were the main driver of sentiment. Local equity markets took direction from the FX market which also influenced South African bond yields. Traders as the first line of defence have ensured that positions remain manageable in these conditions. Value at risk has remained on the low side but higher than last year.

Balance sheet risk

The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 13.8% from 1 April 2011 to R176.1 billion at 31 March 2012. Cash and near cash balances increased by 31.3% from 1 April 2011 to R69.1 billion at 31 March 2012, with excess reserves placed in highly liquid treasury bills and government bonds.

Salient features

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

	31 March 2012	31 March 2011
Net core loans and advances (R'million)	124 917	115 373
Gross defaults as a % of gross core loans and advances	3.80%	5.26%
Defaults (net of impairments) as a % of net core loans and advances	2.79%	4.13%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	0.69%	0.74%
Structured credit investments as a % of total assets	1.05%	1.39%
Banking book investment and equity risk exposures as a % of total assets	2.66%	3.12%
Traded market risk: one-day value at risk (R'million)	2.8	1.7
Cash and near cash (R'million)	69 077	52 591
Customer accounts (deposits) (R'million)	176 094	154 772
Core loans to equity ratio	6.0x	6.2x
Total gearing/leverage ratio**	12.0x	11.4x
Core loans (excluding own originated assets which have been securitised) to customer deposits	69.6%	73.9%
Capital adequacy ratio	16.1%	15.6%
Tier 1 ratio	11.4%	11.5%

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

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

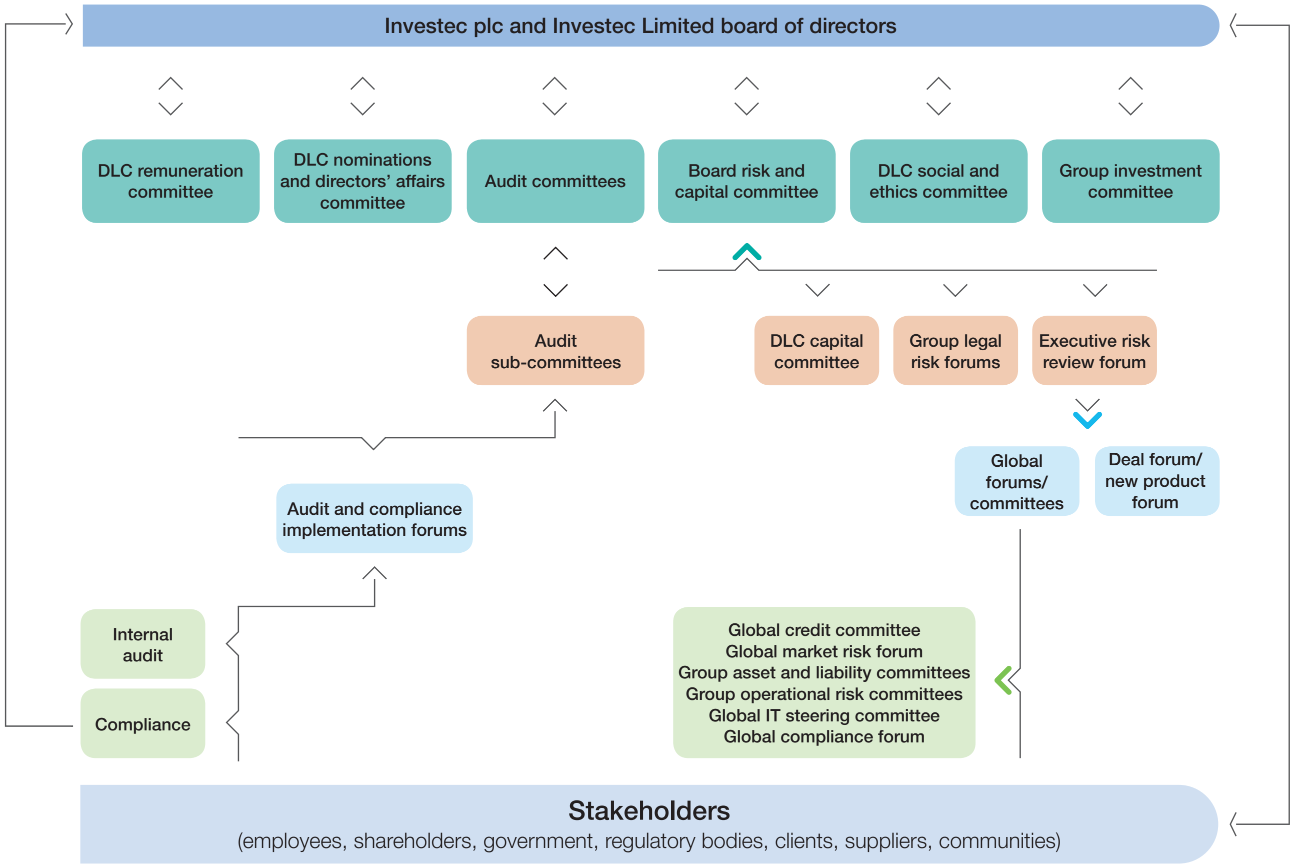
An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 18. The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties not presently identified by us or that we currently deem immaterial may in the future also negatively impact our business operations.

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, as described more fully below. These committees and forums operate together with group Risk Management and are mandated by the board.



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
APRA	Australian Prudential Regulatory Authority

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk.

4

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. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - 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 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 distress 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 for private clients.

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 assume exposure 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 page 53 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, state owned enterprises and banks. Corporates must have scale, relevance, experienced management, able board members and strong earnings/cash flow. Interbank lending is largely 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 56 and 57 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 the 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 the 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, the 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) are increasing and require a specialised understanding of the risk factors, due to both 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. Further information is provided in the Investec group's 2012 annual report.

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

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.

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Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the BRCC.

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- 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 regard 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 niche risk profile and against extreme downturn events.

Fitch, Standard and Poor's, Moody's and DBRS 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, Standard & Poors and DBRS 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.

Investec Bank Limited conducts its mapping of credit exposures in accordance with the mapping procedures specified by the Registrar.

Credit and counterparty risk in South Africa

Credit and counterparty risk is assumed mainly through our Private Client, Corporate Banking and Asset Finance (Reichmans Capital) divisions.

Private Client

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. 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 client loan portfolio and asset quality information is provided on page 52.

Corporate Client

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 the central bank (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 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 where necessary 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 corporate client loan portfolio and asset quality information is provided on page 52.

ReichmansCapital

ReichmansCapital is an asset and trade 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. The 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 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 44). 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' of the 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.

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="2">Performing assets</td><td rowspan="2">For assets which form part of a homogeneous 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 fulfil their credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons:
• Covenant breaches;
• There is a slowdown in the counterparty’s business activity;
• An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; 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 economic 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 sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets is remote.

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 easily identified and appropriately valued.

The bulk of collateral taken by private clients 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. 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 of every commercial property offered as collateral for a lending facility before advancing funds. Revaluations of commercial properties held as collateral at the discretion of the relevant credit committee. Residential properties are valued by desktop valuation and/or 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 techniques linked to trading activity 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
- There is the intention and ability 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
- 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 page 53.

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 existing debt burden on consumers in a low interest rate environment
- Low to moderate levels of discretionary spending and household demand for credit with increased spending emerging from the fourth quarter of 2011
- Continuation of inflationary pressures as a result of oil and utility price increases
- Increased investment by corporates from the fourth quarter of 2011
- Low to moderate infrastructure spending by government
- The European sovereign debt crisis and contagion fears
- Depreciation in the value of the Rand against the US Dollar, Pound Sterling and Euro, most notably in the third quarter of 2011
- Less market volatility, although the European debt crisis contributed to market volatility towards the end of the third quarter of 2011. Strong growth in the first quarter of 2012 with the JSE All Share index reflecting overall growth for the year in review of 4.2%
- The property market remains under pressure with low growth across the residential property market and moderate growth across the commercial property market.

The high net worth and/or stable income streams of our target market clients provided a level of protection from decreases in property values over the last couple of years. Many clients built an effective equity buffer over a period of time, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

Lower levels of volatility relative to previous financial years have resulted in lower profitability levels for certain of the trading divisions.

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

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

For assets written during the current year there has been adherence to lower loan to value lending and competitive pressure on margins.

Credit quality on core loans and advances improved. Core loans and advances increased by 8.3% to R124.9 billion. Default loans (net of impairments) as a percentage of core loans and advances decreased from 4.13% to 2.79% as some transactions have settled and others have been written off. The credit loss ratio has improved from 0.74% to 0.69%. The majority of current financial year and historical defaults were recorded in the private client loan portfolio and largely comprise a relatively small number of clients where development finance was provided at reasonable loan to values but with no serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay.

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. Managing certain of the larger defaulted property developments in order to maximise recoveries will take longer than originally anticipated.

The corporate client loan portfolio reported one material default for the financial year in review and the settlement of a historical default exposure.

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.

Credit risk-regulatory considerations

Effective January 2012, the South African Banks Act was amended by the regulator in order to bring it in line with the Basel Committee on Banking Supervision's (BCBS) Enhancements to the Basel II framework document, commonly referred to as Basel 2.5. Investec's credit capital holding was compliant prior to the implementation of the revisions and there was thus no material capital impact, while changes to disclosure were implemented successfully as of January 2012.

In addition, in order to enhance risk coverage, and in an attempt to capture the risk of the large mark to market losses incurred by many large financial institutions during the financial crisis where credit spreads on debt instruments widened substantially even without deterioration in the credit quality and ratings of the counterparties, the BCBS has introduced an additional capital charge on the over the counter derivative portfolio of the bank. This charge is referred to as Credit Valuation Adjustment (CVA).

Further significant ratios required for disclosure in the future will include the Leverage Ratio (a measure of qualifying capital to both on- and off-balance sheet exposure pre the application of any credit conversion factors). Together with the other major banks in South Africa, Investec has been participating in a global Quantitative Impact Study (QIS) in order to gauge the impact of these and other regulatory changes being proposed by the BCBS in the Basel III framework.

The SARB have released their first draft of proposed amendments to the Banks Act in line with the proposed Basel III regulatory framework for more resilient banks and banking systems, in many cases, the amendments will follow a phased approach with implementation beginning 2013. In line with Investec's prudent risk management and governance frameworks, we 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 30 to 37 describe where and how credit risk is assumed in our operations. The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 16.9% to R278 billion largely as a result of an increase in cash and near balances and core loans and advances. Cash and near cash balances increased by 31.3% to R69.1 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, sovereign debt securities.

Audited R'million	31 March 2012	31 March 2011**	% change	Average*
Cash and balances at central banks	9 303	6 813	36.5%	8 058
Loans and advances to banks	19 191	4 918	>100.0%	12 055
Non-sovereign and non-bank cash placements	7 885	5 829	35.3%	6 857
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	8 157	(37.5%)	6 628
Sovereign debt securities	30 222	29 118	3.8%	29 670
Bank debt securities	27 695	18 169	52.4%	22 932
Other debt securities	6 284	4 888	28.6%	5 586
Derivative financial instruments	10 269	10 983	(6.5%)	10 625
Securities arising from trading activities	1 628	599	>100.0%	1 114
Loans and advances to customers (gross)	123 920	115 818	7.0%	119 868
Own originated loans and advances to customers securitised (gross)	2 305	937	>100.0%	1 621
Other loans and advances (gross)	681	860	(20.8%)	771
Other securitised assets (gross)	81	–	100.0%	41
Other assets	–	400	(100.0%)	200
Total on-balance sheet exposures	244 562	207 489	17.9%	226 026
Guarantees^	6 770	6 304	7.4%	6 537
Contingent liabilities, committed facilities and other	26 690	24 017	11.1%	25 354
Total off-balance sheet exposures	33 460	30 321	10.4%	31 891
Total gross credit and counterparty exposures pre collateral or other credit enhancements	278 022	237 810	16.9%	257 917

* *Where the average is based on a straight-line average.*
** *Restated as discussed on page 118.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

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	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2012				
Cash and balances at central banks	9 303	–		9 303
Loans and advances to banks	19 191	–		19 191
Non-sovereign and non-bank cash placements	7 885	–		7 885
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	–		5 098
Sovereign debt securities	30 222	–		30 222
Bank debt securities	27 695	–		27 695
Other debt securities	6 284	–		6 284
Derivative financial instruments	10 269	326		10 595
Securities arising from trading activities	1 628	–		1 628
Investment portfolio	–	6 036	1	6 036
Loans and advances to customers	123 920	(1 305)	2	122 615
Own originated loans and advances to customers securitised	2 305	(3)	2	2 302
Other loans and advances	681	(12)	2	669
Other securitised assets	81	976	3	1 057
Interest in associated undertakings	–	38		38
Deferred taxation assets	–	46		46
Other assets	–	1 074	4	1 074
Property and equipment	–	308		308
Investment properties	–	5		5
Intangible assets	–	96		96
Loans to group companies	–	3 805		3 805
Total on-balance sheet exposures	244 562	11 390		255 952

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 54 to 56.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Audited R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2011*				
Cash and balances at central banks	6 813	–		6 813
Loans and advances to banks	4 918	–		4 918
Non-sovereign and non-bank cash placements	5 829	–		5 829
Reverse repurchase agreements and cash collateral on securities borrowed	8 157	–		8 157
Sovereign debt securities	29 118	–		29 118
Bank debt securities	18 169	–		18 169
Other debt securities	4 888	–		4 888
Derivative financial instruments	10 983	504		11 487
Securities arising from trading activities	599	26		625
Investment portfolio	–	5 766	1	5 766
Loans and advances to customers	115 818	(1 379)	2	114 439
Own originated loans and advances to customers securitised	937	(3)	2	934
Other loans and advances	860	(76)	2	784
Other securitised assets	–	1 242	3	1 242
Interest in associated undertakings	–	135		135
Deferred taxation assets	–	42		42
Other assets	400	581	4	981
Property and equipment	–	286		286
Investment properties	–	5		5
Intangible assets	–	108		108
Loans to group companies	–	6 836		6 836
Total on-balance sheet exposures	207 489	14 073		221 562

* *Restated as discussed on page 118.*

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 54 to 56.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Summary analysis of gross credit and counterparty exposures by industry

Private client loans account for 74.0% 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 Client division is provided on pages 32 and 33, and a more detailed analysis of the private client loan portfolio is provided on pages 52. The remainder of core loans and advances largely reside within our Corporate Client division and are evenly spread across industry sectors. A description of the type of lending we undertake within the Corporate Client division is provided on page 33, and a more detailed analysis of the corporate client loan portfolio is provided on page 52.

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 Client division clients.

Breakdown of gross credit exposure by industry

R'million	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
HNW and professional individuals	93 351	84 049	25 853	22 891	119 204	106 940
Agriculture	448	509	100	202	548	711
Electricity, gas and water (utility services)	1 308	909	96	183	1 404	1 092
Public and non-business services	837	799	40 436	36 778	41 273	37 577
Business services	2 608	1 564	921	547	3 529	2 111
Finance and insurance	6 078	10 704	70 782	51 170	76 860	61 874
Retailers and wholesalers	2 004	1 774	2 880	2 213	4 884	3 987
Manufacturing and commerce	5 322	5 435	3 260	2 161	8 582	7 596
Construction	466	424	505	49	971	473
Real estate	4 891	3 314	1 594	1 064	6 485	4 378
Mining and resources	2 713	1 711	3 593	2 627	6 306	4 338
Leisure, entertainment and tourism	1 370	1 885	375	194	1 745	2 079
Transport and communication	4 829	3 678	1 402	976	6 231	4 654
Total	126 225	116 755	151 797	121 055	278 022	237 810

Gross credit and counterparty exposures by residual contractual maturity as at 31 March 2012

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
Cash and balances at central banks	9 274	–	–	–	–	29	9 303
Loans and advances to banks	16 971	121	314	1 656	129	–	19 191
Non-sovereign and non-bank cash placements	7 884	–	–	–	1	–	7 885
Reverse repurchase agreements and cash collateral on securities borrowed	3 148	–	360	673	917	–	5 098
Sovereign debt securities	12 198	6 888	4 416	2 764	3 879	77	30 222
Bank debt securities	1 831	6 361	4 939	6 194	6 431	1 939	27 695
Other debt securities	–	–	65	4 461	1 121	637	6 284
Derivative financial instruments	708	1 226	756	4 286	2 608	685	10 269
Securities arising from trading activities	856	–	15	575	171	11	1 628
Loans and advances to customers	13 346	5 192	11 560	52 649	14 301	26 872	123 920
Own originated loans and advances to customers securitised	6	9	29	873	25	1 363	2 305
Other loans and advances	–	–	–	681	–	–	681
Other securitised assets	–	–	–	–	–	81	81
Total on-balance sheet exposures	66 222	19 797	22 454	74 812	29 583	31 694	244 562
Guarantees	1 448	922	1 086	852	2 311	151	6 770
Contingent liabilities, committed facilities and other	5 820	1 201	1 353	5 089	4 657	8 570	26 690
Total off-balance sheet exposures	7 268	2 123	2 439	5 941	6 968	8 721	33 460
Total gross credit and counterparty exposures pre collateral or other credit enhancements	73 490	21 920	24 893	80 753	36 551	40 415	278 022

Detailed analysis of gross credit and counterparty exposures by industry as at 31 March 2012

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
Cash and balances at central banks	–	–	–	9 303	–
Loans and advances to banks	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	100	–	–	365
Reverse repurchase agreements and cash collateral on securities borrowed	37	–	–	43	–
Sovereign debt securities	–	–	–	30 222	–
Bank debt securities	–	–	–	–	–
Other debt securities	682	–	–	110	–
Derivative financial instruments	12	–	60	–	88
Securities arising from trading activities	–	–	–	757	–
Loans and advances to customers (gross)	91 046	448	1 308	837	2 608
Own originated loans and advances to customers securitised (gross)	2 305	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–
Other securitised assets	81	–	–	–	–
Total on-balance sheet exposures	94 163	548	1 368	41 272	3 061
Guarantees	4 023	–	18	1	20
Contingent liabilities, committed facilities and other	21 018	–	18	–	448
Total off-balance sheet exposures	25 041	–	36	1	468
Total gross credit and counterparty exposures pre collateral or other credit enhancements	119 204	548	1 404	41 273	3 529

Finance and insurance	Retailers and wholesalers	Manufac-turing and commerce	Construction	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Total
–	–	–	–	–	–	–	–	9 303
19 191	–	–	–	–	–	–	–	19 191
1 267	2 248	2 563	174	–	817	–	351	7 885
5 018	–	–	–	–	–	–	–	5 098
–	–	–	–	–	–	–	–	30 222
27 695	–	–	–	–	–	–	–	27 695
4 854	415	–	–	–	103	–	120	6 284
8 845	108	63	1	928	42	–	122	10 269
822	26	23	–	–	–	–	–	1 628
6 078	2 004	5 322	466	4 891	2 713	1 370	4 829	123 920
–	–	–	–	–	–	–	–	2 305
681	–	–	–	–	–	–	–	681
–	–	–	–	–	–	–	–	81
74 451	4 801	7 971	641	5 819	3 675	1 370	5 422	244 562
1 077	28	189	219	145	946	99	5	6 770
1 332	55	422	111	521	1 685	276	804	26 690
2 409	83	611	330	666	2 631	375	809	33 460
76 860	4 884	8 582	971	6 485	6 306	1 745	6 231	278 022

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

Calculation of core loans and advances to customers

Audited R'million	31 March 2012	31 March 2011
Loans and advances to customers as per balance sheet	122 615	114 439
Add: own originated loans and advances to customers securitised as per the balance sheet	2 302	934
Net gross core loans and advances to customers	124 917	115 373

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 36 and 37.

Audited R'million	31 March 2012	31 March 2011
Gross core loans and advances to customers	126 225	116 755
Total impairments	(1 308)	(1 382)
Portfolio impairments	(206)	(315)
Specific impairments	(1 102)	(1 067)
Net core loans and advances to customers	124 917	115 373
Average gross core loans and advances to customers	121 490	114 898
Current loans and advances to customers	119 622	108 919
Past due loans and advances to customers (1 – 60 days)	714	1 049
Special mention loans and advances to customers	1 095	641
Default loans and advances to customers	4 794	6 146
Gross core loans and advances to customers	126 225	116 755
Current loans and advances to customers	119 622	108 919
Default loans that are current and not impaired	128	69
Gross core loans and advances to customers that are past due but not impaired	3 226	3 876
Gross core loans and advances to customers that are impaired	3 249	3 891
Gross core loans and advances to customers	126 225	116 755
Total income statement charge for core loans and advances	(833)	(852)
Gross default loans and advances to customers	4 794	6 146
Specific impairments	(1 102)	(1 067)
Portfolio impairments	(206)	(315)
Defaults net of impairments	3 486	4 764
Collateral and other credit enhancements	5 861	7 101
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.04%	1.18%
Total impairments as a % of gross default loans	27.28%	22.49%
Gross defaults as a % of gross core loans and advances to customers	3.80%	5.26%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.79%	4.13%
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)	0.69%	0.74%

An analysis of core loans and advances to customers and asset quality by client type as at 31 March 2012

Audited R'million	Private Client**	Corporate Client**	Other*	Total
Gross core loans and advances to customers	93 351	27 870	5 004	126 225
Total impairments	(992)	(118)	(198)	(1 308)
Portfolio impairments	(81)	(23)	(102)	(206)
Specific impairments	(911)	(95)	(96)	(1 102)
Net core loans and advances to customers	92 359	27 752	4 806	124 917
Average gross core loans and advances	88 700	27 852	4 938	121 490
Current loans and advances to customers	87 417	27 455	4 750	119 622
Past due loans and advances to customers (1 – 60 days)	428	204	82	714
Special mention loans and advances to customers	1 057	–	38	1 095
Default loans and advances to customers	4 449	211	134	4 794
Gross core loans and advances to customers	93 351	27 870	5 004	126 225
Current loans and advances to customers	87 417	27 455	4 750	119 622
Default loans that are current and not impaired	118	10	–	128
Gross core loans and advances to customers that are past due but not impaired	2 902	204	120	3 226
Gross core loans and advances to customers that are impaired	2 914	201	134	3 249
Gross core loans and advances to customers	93 351	27 870	5 004	126 225
Total income statement charge for impairments on loans and advances	(724)	(149)	40	(833)
Gross default loans and advances to customers	4 449	211	134	4 794
Specific impairments	(911)	(95)	(96)	(1 102)
Portfolio impairments	(81)	(23)	(102)	(206)
Defaults net of impairments	3 457	93	(64)	3 486
Collateral and other credit enhancements	5 615	201	45	5 861
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	1.06%	0.42%	3.96%	1.04%
Total impairments as a % of gross default loans	22.30%	55.92%	>100.0%	27.28%
Gross defaults as a % of gross core loans and advances to customers	4.77%	0.76%	2.68%	3.80%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.74%	0.34%	(1.33%)	2.79%
Net defaults as a % of core loans and advances to customers	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.82%	0.52%	(0.81%)	0.69%

* *Largely includes lending activities within our central funding and international trade finance businesses.*

** *A further analysis of our private client and corporate client loan portfolios, broken down by type of loan, is provided on page 52.*

An analysis of core loans and advances to customers and asset quality by client type as at 31 March 2011

Audited R'million	Private Client	Corporate Client	Other*	Total
Gross core loans and advances to customers	84 049	27 833	4 873	116 755
Total impairments	(1 078)	(28)	(276)	(1 382)
Portfolio impairments	(153)	(18)	(144)	(315)
Specific impairments	(925)	(10)	(132)	(1 067)
Net core loans and advances to customers	82 971	27 805	4 597	115 373
Average gross core loans and advances	82 040	28 313	4 545	114 898
Current loans and advances to customers	76 660	27 699	4 560	108 919
Past due loans and advances to customers (1 – 60 days)	903	17	129	1 049
Special mention loans and advances to customers	550	74	17	641
Default loans and advances to customers	5 936	43	167	6 146
Gross core loans and advances to customers	84 049	27 833	4 873	116 755
Current loans and advances to customers	76 660	27 699	4 560	108 919
Default loans that are current and not impaired	69	–	–	69
Gross core loans and advances to customers that are past due but not impaired	3 639	91	146	3 876
Gross core loans and advances to customers that are impaired	3 681	43	167	3 891
Gross core loans and advances to customers	84 049	27 833	4 873	116 755
Total income statement charge for impairments on core loans	(1 040)	154	34	(852)
Gross default loans and advances to customers	5 936	43	167	6 146
Specific impairments	(925)	(10)	(132)	(1 067)
Portfolio impairments	(153)	(18)	(144)	(315)
Defaults net of impairments	4 858	15	(109)	4 764
Collateral and other credit enhancements	7 021	32	48	7 101
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	1.28%	0.10%	5.66%	1.18%
Total impairments as a % of gross default loans	18.16%	65.12%	>100.0%	22.49%
Gross defaults as a % of gross core loans and advances to customers	7.06%	0.15%	3.43%	5.26%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.86%	0.05%	(2.37%)	4.13%
Net defaults as a % of 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%	(0.53%)	(0.75%)	0.74%

* *Largely includes lending activities within our central funding and international trade finance businesses.*

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

Audited R'million	31 March 2012	31 March 2011
Default loans that are current	668	633
1 – 60 days	1 368	1 284
61 – 90 days	501	423
91 – 180 days	611	843
181 – 365 days	387	1 825
>365 days	3 068	2 828
Past due and default core loans and advances to customers (actual capital exposure)	6 603	7 836
1 – 60 days	620	304
61 – 90 days	314	105
91 – 180 days	263	342
181 – 365 days	267	1 197
>365 days	2 458	2 520
Past due and default core loans and advances to customers (actual amount in arrears)	3 922	4 468

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 2012							
Watchlist loans neither past due nor impaired							
Total capital exposure	128	–	–	–	–	–	128
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 320	493	434	246	733	3 226
Amount in arrears	–	604	309	190	182	583	1 868
Gross core loans and advances to customers that are impaired							
Total capital exposure	540	48	8	177	141	2 335	3 249
Amount in arrears	–	16	5	73	85	1 875	2 054
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

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (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)	–	714	–	–	–	–	714
Special mention	–	423	393	87	71	121	1 095
Special mention (1 – 90 days)	–	423	115	87*	71*	121*	817
Special mention (61 – 90 days and item well secured)	–	–	278	–	–	–	278
Default	668	231	108	524	316	2 947	4 794
Sub-standard	35	8	96	242	141	225	747
Doubtful	633	223	12	282	175	2 722	4 047
Total	668	1 368	501	611	387	3 068	6 603

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (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)	–	103	–	–	–	–	103
Special mention	–	410	213	54	50	97	824
Special mention (1 – 90 days)	–	410	81	54*	50*	97*	692
Special mention (61 – 90 days and item well secured)	–	–	132	–	–	–	132
Default	–	107	101	209	217	2 361	2 995
Sub-standard	–	6	96	109	126	196	533
Doubtful	–	101	5	100	91	2 165	2 462
Total	–	620	314	263	267	2 458	3 922

* *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 are 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 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 in arrears and management concerned)*	–	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 in arrears and management concerned)*	–	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

* *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 are 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 2012								
Current core loans and advances	119 622	–	–	119 622	–	(195)	119 427	–
Past due (1 – 60 days)	–	714	–	714	–	(3)	711	103
Special mention	–	1 095	–	1 095	–	(8)	1 087	824
Special mention (1 – 90 days)	–	817	–	817	–	(7)	810	692
Special mention (61 – 90 days and item well secured)	–	278	–	278	–	(1)	277	132
Default	128	1 417	3 249	4 794	(1 102)	–	3 692	2 995
Sub-standard	35	711	1	747	–	–	747	533
Doubtful	93	706	3 248	4 047	(1 102)	–	2 945	2 462
Total	119 750	3 226	3 249	126 225	(1 102)	(206)	124 917	3 922
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

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

Audited R'million	Private Banking professional and HNW individuals	Corporate sector	Banking, insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance	Total gross core loans and advances to customers
As at 31 March 2012						
Current core loans and advances	87 417	23 451	6 067	837	1 850	119 622
Past due (1 – 60 days)	428	204	–	–	82	714
Special mention	1 056	–	–	–	39	1 095
Special mention (1 – 90 days)	817	–	–	–	–	817
Special mention (61 – 90 days and item well secured)	239	–	–	–	39	278
Default	4 450	228	11	–	105	4 794
Sub-standard	746	–	–	–	1	747
Doubtful	3 704	228	11	–	104	4 047
Total gross core loans and advances to customers	93 351	23 883	6 078	837	2 076	126 225
Total impairments	(992)	(235)	(13)	(1)	(67)	(1 308)
Specific impairments	(911)	(114)	(10)	–	(67)	(1 102)
Portfolio Impairments	(81)	(121)	(3)	(1)	–	(206)
Net core loans and advances to customers	92 359	23 648	6 065	836	2 009	124 917
As at 31 March 2011						
Current core loans and advances	76 659	19 347	10 700	799	1 414	108 919
Past due (1 – 60 days)	903	13	4	–	129	1 049
Special mention	550	74	–	–	17	641
Special mention (1 – 90 days)	337	74	–	–	–	411
Special mention (61 – 90 days and item well secured)	213	–	–	–	17	230
Default	5 937	121	–	–	88	6 146
Sub-standard	1 640	–	–	–	1	1 641
Doubtful	4 297	121	–	–	87	4 505
Total gross core loans and advances to customers	84 049	19 555	10 704	799	1 648	116 755
Total impairments	(1 078)	(245)	(6)	–	(53)	(1 382)
Specific impairments	(153)	(156)	(6)	–	–	(315)
Portfolio Impairments	(925)	(89)	–	–	(53)	(1 067)
Net core loans and advances to customers	82 971	19 310	10 698	799	1 595	115 373

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

Audited R'million	31 March 2012	31 March 2011
Private Banking professional and HNW individuals	93 351	84 049
Corporate sector	23 883	19 555
Banking, insurance, financial services (excluding sovereign)	6 078	10 704
Public and government sector (including central banks)	837	799
Trade finance	2 076	1 648
Total gross core loans and advances to customers	126 225	116 755

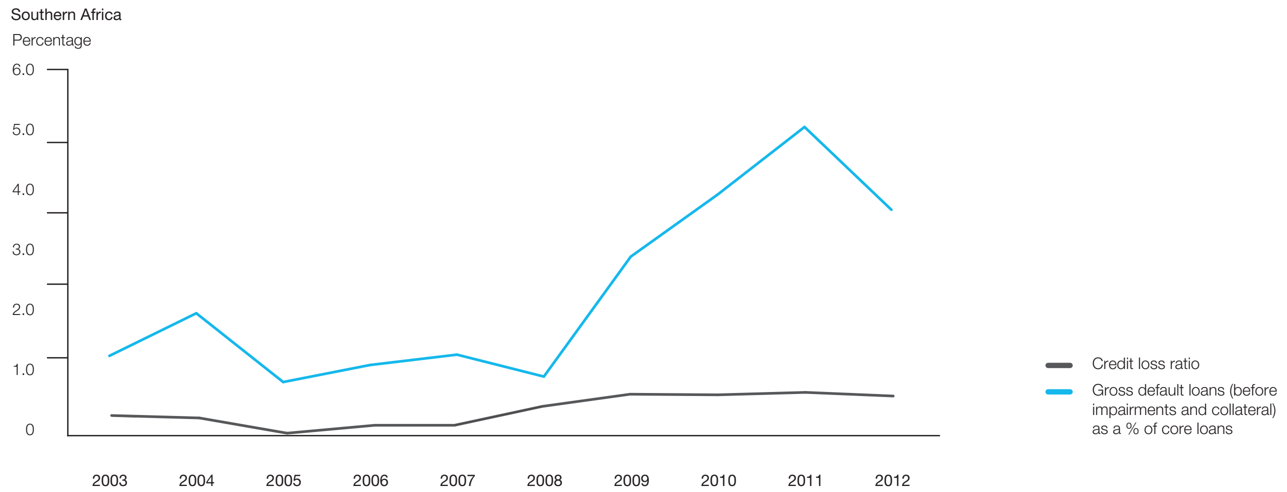
An analysis of default core loans and advances as at 31 March 2012

R'million	Gross core loans	Gross defaults	Collateral	Balance sheet impairments
Private Client				
Residential property	34 061	2 300	2 432	(501)
Residential property investment	3 923	278	274	(79)
Residential mortgages (owner occupied)	26 104	580	713	(115)
Residential property development	1 330	152	147	(34)
Residential estates/land	2 704	1 290	1 298	(273)
Commercial property	43 471	1 227	1 594	(210)
Commercial property investment	38 777	820	1 060	(113)
Commercial property land	3 029	325	338	(94)
Commercial property development	1 665	82	196	(3)
Other	15 819	922	1 589	(281)
Asset backed lending	3 649	400	926	(148)
Unlisted securities and general corporate lending	6 015	29	47	(8)
Unsecured lending^	1 356	38	8	(30)
Other	4 799	455	608	(95)
Total Private Client	93 351	4 449	5 615	(992)
Corporate Client				
Acquisition finance	2 047	–	–	–
Asset finance	3 346	–	–	(6)
Corporate loans	18 420	11	1	(27)
Project finance	2 254	200	200	(85)
Resource finance and commodities	1 803	–	–	–
Total Corporate Client	27 870	211	201	(118)
Other*	5 004	134	45	(198)
Total group	126 225	4 794	5 861	(1 308)

* *Largely includes lending activities within our central funding and international trade finance business.*

^ *Largely relates to debit card balances.*

Asset quality ratios



Collateral

An summary of collateral is provided in the table below

R'million	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures*	
As at 31 March 2012			
Eligible financial collateral	22 799	1 913	24 712
Listed shares	21 178	1 846	23 024
Cash	1 621	67	1 688
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	154 396	15	154 411
Residential mortgages	63 718	–	63 718
Residential development	–	–	–
Commercial property development	9 504	15	9 519
Commercial property investments	81 174	–	81 174
Other collateral	49 206	873	50 079
Unlisted shares	13 226	–	13 226
Bonds other than mortgage bonds	5 855	–	5 855
Debtors, stock and other corporate assets	8 202	–	8 202
Guarantees	9 440	721	10 161
Other	12 483	152	12 635
Total collateral	226 401	2 801	229 202
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
Other	10 374	–	10 374
Total collateral	193 790	8 687	202 477

* *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.*

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:

- 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. We also continue to pursue opportunities to help create and grow black owned and controlled companies
- Lending transactions (within the Private Client and Corporate Client divisions): The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Central Funding: 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
Investment and trading properties	Investment committee, Investec Property Group Investment committee in South Africa 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 page 124 and 125 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 0.01% of total assets (refer to pages 148 and 149 for further information).

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

Audited R'million Category	Income (pre funding costs)			
	Unrealised	Realised	Dividends	Total
For the year ended 31 March 2012				
Unlisted investments	284	438	265	987
Listed equities	(299)	(46)	–	(345)
Investments and trading properties	(2)	6	–	4
Warrants, profit shares and other embedded derivatives	(137)	124	118	105
Total	(154)	522	383	751

Unrealised revaluation gains through profit and loss 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 Category	On-balance sheet value of investments 31 March 2012	Valuation change stress test 31 March 2012
Unlisted investments	5 302	761
Listed equities	734	156
Investments and trading properties	389	80
Warrants, profit shares and other embedded derivatives	386	148
Total	6 811	1 145

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

Stress test values applied

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

Stress testing summary

Based on the information as at 31 March 2012, as reflected above we could have a R1.1 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

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 investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 81 for further detail.

4

Securitisation/credit investment and trading 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 was established over ten years ago. 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 a standby liquidity facility to one conduit namely Grayston Conduit 1 (Pty) Limited Series 1 and Series 2. This facility, which totalled R1.7 billion as at 31 March 2012 (31 March 2011: R2.0 billion), has not been drawn on and is thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to page 38). 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 client business in South Africa. The primary motivations for the securitisation of assets within our Private Client 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 Client division amount to R2.3 billion (March 2011: R0.9 billion).These securitisation structures have all been rated by Moody's.

Accounting policies Audited

Refer to page 162.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/credit investment and trading activities reflect only those exposures to which we consider ourselves to be at risk notwithstanding accounting conventions. In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/credit investment and trading 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 2012 R'million	Exposure as at 31 March 2011 R'million	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	2 680	3 070	Other debt securities and other loans and advances.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	2 514	2 774			
Unrated	166	296			
Warehouse lines provided to own originated loans and advances to customers, and investment in third party intermediary originating platforms (mortgage and auto loans)	669	790	Other loans and advances.		Risk-weighted depending on rating of counterparty
Private Client division assets which have been securitised	2 302	937	Own originated loans and advances to customers securitised.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 44	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	1 660	2 041	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.

***A further analysis of rated structured credit investments as at 31 March 2012**

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	35	–	–	35
European RMBS	206	947	355	502	215	117	–	2 342
European CMBS	–	96	–	16	–	–	–	112
South African RMBS	–	9	16	–	–	–	–	25
Total as at 31 March 2012	206	1 052	371	518	250	117	–	2 514
Total as at 31 March 2011	558	764	395	496	561	–	–	2 774

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 management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

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

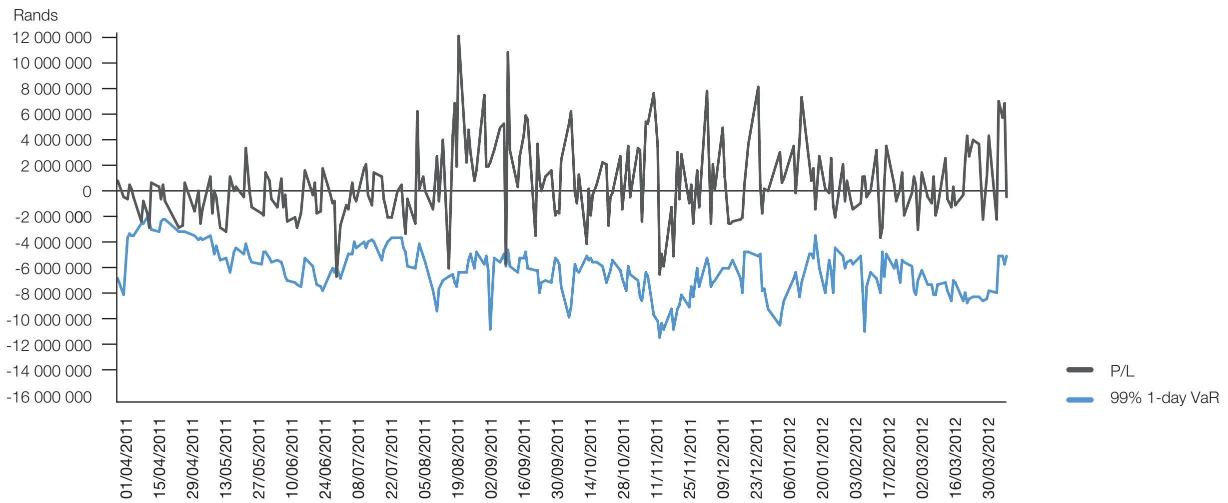
Audited R'million	Year end R'million	Average R'million	High R'million	Low R'million
31 March 2012				
Commodities	–	0.1	0.5	–
Equity derivatives	1.6	1.7	6.9	0.6
Foreign exchange	1.1	2.7	8.9	0.7
Interest rates	2.6	2.5	5.3	0.8
Consolidated*	2.8	3.7	7.6	1.2
31 March 2011				
Commodities	0.1	0.1	0.3	–
Equity 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

* *The consolidated VaR for each desk is lower than the sum of the individual VaRs. 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 these graphs, we can gauge the accuracy of the VaR figures.

VaR for 2012 in the South African trading book was slightly higher than for 2011, though still lower than pre-crisis (2007) levels. Using hypothetical (clean) profit and loss data for backtesting resulted in four exceptions, which is more than the two to three exceptions that a 99% VaR implies. The exceptions were due to normal trading losses and most were due to trade in the FX market. Using actual profit and loss resulted in one exception which is lower than expected.

99% 1-day VaR backtesting



ETL 95% (one-day)

Audited R'million	31 March 2012	31 March 2011
Commodities	0.1	0.1
Equity derivatives	2.7	2.7
Foreign exchange	2.2	1.3
Interest rates	3.9	2.4
Consolidated*	4.1	3.5

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

Stress testing

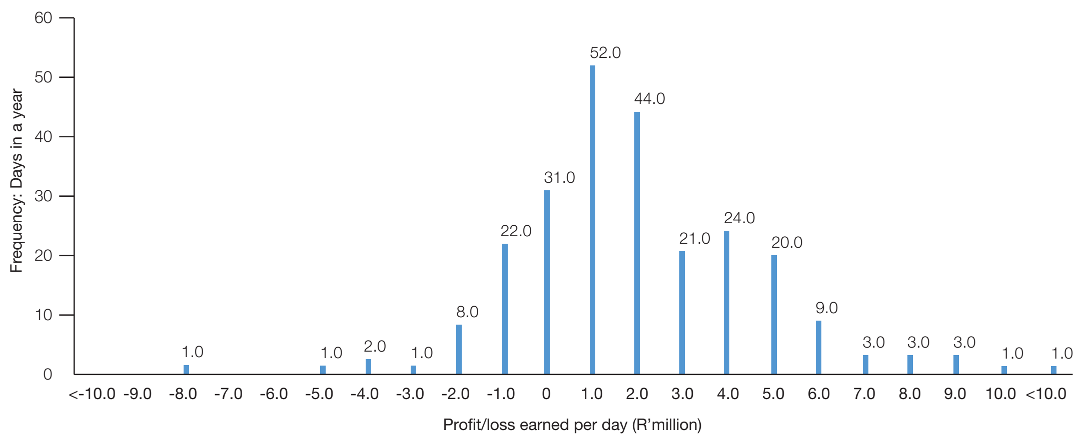
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

Audited R'million	31 March 2012	31 March 2011
Commodities	0.1	0.3
Equity derivatives	13.7	16.0
Foreign exchange	17.2	5.6
Interest rates	24.3	10.0
Consolidated	13.5	6.2

Profit and loss histograms

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 181 days out of a total of 247 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2012 was R1.5 million (2011: R1.2 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 reconciled 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

Market conditions have not been conducive to client flow or proprietary trading. FX markets have been volatile with little or no clear trend as European conditions were the main driver of sentiment. South African equity markets took direction from the FX market which also influenced South African bond yields. Traders as the first line of defence have ensured that positions remain manageable in these conditions. VaR has remained on the low side but higher than last year.

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 156 and 157.

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 exposures and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

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

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

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

The ALCO's typically comprise the managing director, the head of risk, the head of Corporate Client, economists, divisional heads, the balance sheet risk management team, the treasurer, Private Client representatives and any appropriate co-opted personnel. The ALCO's meet on a monthly basis to discuss the balance sheet, market conditions and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The group's central treasury function is mandated to manage the liquidity mismatch and non-trading interest rate risk arising from our asset

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services.

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and liability portfolios on a day-to-day basis. 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, 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.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity. The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management.

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. It identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and performs scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The balance sheet risk team further pro-actively identifies proposed best risk practice and measures adopted in the broader market and implements the changes where relevant.

The scenario modelling and daily liquidity stress tests are 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. These scenarios consider 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.

The integrated balance sheet risk management framework is based on similar methodologies as those contemplated under the BCBS 'liquidity risk measurement standards and monitoring' and is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk on the banking book'.

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 Audited

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

Sources of interest rate risk include:

- Repricing risk: Arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: Repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: Arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Optionality: We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.

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.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services. 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. The Bank swaps its fixed deposits and loans with maturities greater than one year to three-month risk in the wholesale market via interest rate swaps
- Central Treasury directs pricing for all deposit products (including deposit products offered to the private clients), in so doing we manage access funding at cost-effective levels
- The bank 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 provides long-term stable funding for our asset creation activity
- Central Treasury is the primary interface to the wholesale market
- 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 from both earnings and economic value perspectives, with the aim to protect and enhance net interest income in accordance with the board approved risk management framework and risk appetite. The standard tools that are used to measure non-trading interest rate risk as defined above are:

- the repricing gap;
- net interest income sensitivity (also referred to as earnings risk); and
- economic value (or NPV) sensitivity.

This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

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 repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes in interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve. Economic value sensitivity and stress testing to macro-economic movement or changes 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, after 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.

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 three-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, Central Treasury also hedges all fixed rate deposits with a term of more than one year to within three-months repricing. These derivative hedging trades are executed with the bank's interest rate trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

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 duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate Client division to be traded with the external market. The Central Treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the Market Risk Limits.

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 2012 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	23 451	–	–	–	–	4 723	28 174
Cash and short-term funds – non-banks	7 885	–	–	–	–	–	7 885
Investment/trading assets and statutory liquids	27 044	11 949	6 449	8 766	8 971	6 971	70 150
Securitised assets	2 949	–	–	–	–	410	3 3549
Advances	105 137	680	2 348	9 399	4 765	955	123 284
Other assets	–	–	–	–	–	1 304	1 304
Assets	166 466	12 629	8 797	18 165	13 736	14 363	234 156
Deposits – banks	(12 771)	(894)	(20)	(118)	–	(130)	(13 933)
Deposits – non-banks	(151 545)	(10 555)	(8 508)	(3 431)	(609)	(1 003)	(175 651)
Negotiable paper	(1 590)	(42)	–	(32)	(74)	–	(1 738)
Securitised liabilities	(3 022)	–	–	–	–	(403)	(3 425)
Investment/trading liabilities	(6 657)	(1)	(34)	(2 906)	(4 436)	(220)	(14 254)
Subordinated liabilities	(4 489)	–	(2 062)	(125)	(2 033)	–	(8 709)
Other liabilities	(123)	–	–	–	–	(3 528)	(3 651)
Liabilities	(180 197)	(11 492)	(10 624)	(6 612)	(7 152)	(5 284)	(221 361)
Intercompany loans	7 941	1 027	(294)	(1 348)	–	1 091	8 417
Shareholders' funds	(1 160)	(43)	–	–	(11)	(19 625)	(20 839)
Balance sheet	(6 950)	2 121	(2 121)	10 205	6 573	(9 455)	373
Off-balance sheet	24 942	(5 102)	(3 135)	(12 441)	(5 637)	–	(373)
Repricing gap	18 992	(2 981)	(5 256)	(2 236)	936	(9 455)	–
Cumulative repricing gap	18 992	16 011	10 755	8 519	9 455	–	–

Economic value sensitivity as at 31 March 2012

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the values of the mark-to-market portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)					
’million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bp down	(26.7)	6.3	7.5	(2.8)	1.8	91.5
200bp up	23.8	(6.5)	(6.2)	6.5	(1.4)	(47.5)

Liquidity risk

Liquidity risk description Audited

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

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting 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 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, to be implemented in 2015 and 2018
- The risk appetite is clearly defined by the board and 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 standpoint 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

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment.

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- 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 collection 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
- 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 both domestic and offshore markets through the Central Treasury divisions
- The 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.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

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 structural and term funding, resulting in strong balance sheet liquidity ratios. 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 contingent event, we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates 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 Client risk assets. We continue to develop products to attract and service the investment needs of our private client client base. Although the contractual repayments of many private client customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Client division continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 11.1% from 1 April 2011 to R62.3 billion at 31 March 2012. We also have a number of innovative retail deposit initiatives within our Corporate Client division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 70% of total deposits since April 2006, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. 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. The group remains committed to increasing its core deposits and accessing domestic and foreign corporate clients when appropriate. 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.

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors including business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

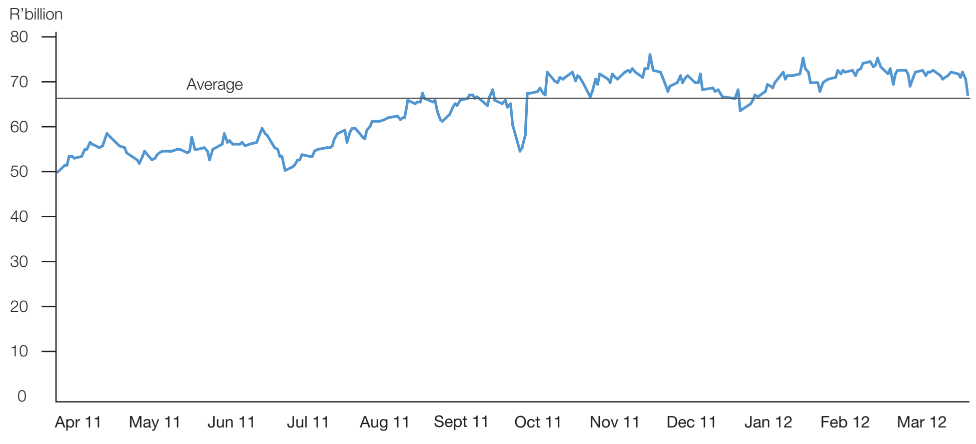
We engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of term liquidity. These entities form part of the 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. We do not rely on interbank deposits to fund term lending.

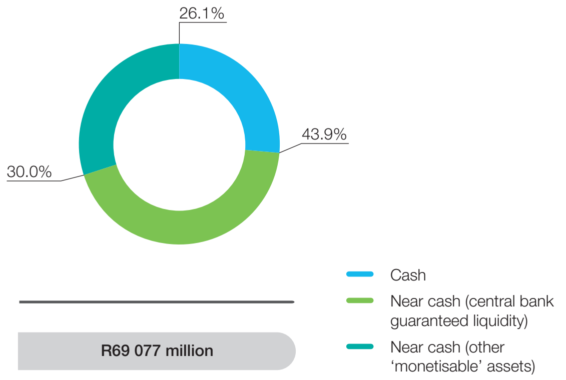
The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

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. Rapid response strategies address action plans, 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.

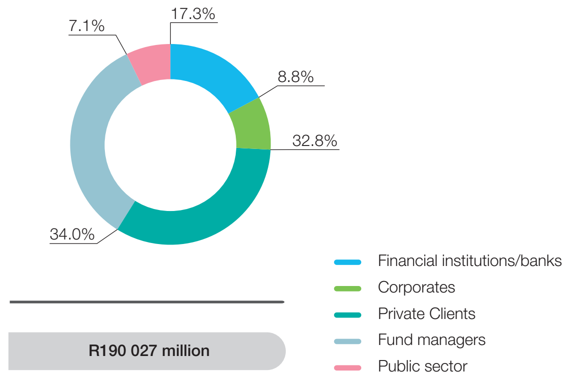
Investec Bank Limited (South Africa) cash and near cash trend



An analysis of cash and near cash



Bank and non-bank depositor concentration by type



Liquidity mismatch

The table that follows show our contractual liquidity mismatch across our business.

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

Our liquidity and funding profile reflects our strategy, risk appetite and business activities. 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 assets 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 repro'ing or selling these securities, we have:
  - Set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank
  - 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
  - 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'. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. 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. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. 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 2012

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*	22 286	181	3 949	111	993	974	–	28 494
Cash and short-term funds – non-banks	7 885	–	–	–	–	–	–	7 885
Investment/trading assets and statutory liquids**	25 899	19 983	1 095	2 107	1 298	22 312	14 960	87 654
Securitised assets	74	19	68	115	187	991	1 905	3 359
Advances	3 766	5 286	9 229	9 005	13 954	51 559	30 485	123 284
Other assets	–	–	–	654	71	1 042	3 509	5 276
Assets	59 910	25 469	14 341	11 992	16 503	76 878	50 859	255 952
Deposits – banks	(2 315)	(1 089)	(926)	(293)	(93)	(9 217)	–	(13 933)
Deposits – non-banks	(60 283)^	(23 980)	(36 298)	(17 898)	(18 197)	(18 498)	(940)	(176 094)
Negotiable paper	–	(514)	(20)	(130)	(387)	(87)	(600)	(1 738)
Securitised liabilities	(32)	(834)	(195)	–	–	(1 960)	(404)	(3 425)
Investment/trading liabilities	–	(6 219)	(791)	(848)	(475)	(14 272)	(4 661)	(27 266)
Subordinated liabilities	(1 655)	–	–	–	(2 856)	(425)	(3 773)	(8 709)
Other liabilities	–	(12)	–	(123)	(123)	–	(3 596)	(3 854)
Liabilities	(64 285)	(32 648)	(38 230)	(19 292)	(22 131)	(44 459)	(13 974)	(235 019)
Shareholders' funds	–	–	–	–	–	–	(20 933)	(20 933)
Contractual liquidity gap	(4 375)	(7 179)	(23 889)	(7 300)	(5 628)	32 419	15 952	–
Cumulative liquidity gap	(4 375)	(11 554)	(35 443)	(42 743)	(48 371)	(15 952)	–	–

Note: contractual liquidity adjustments (as discussed on page 68)

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*	17 576	181	3 949	111	993	974	4 710	28 494
Investment/trading assets and statutory liquids**	633	9 062	9 190	15 520	10 624	23 891	18 734	87 654

Behavioural liquidity (as discussed on page 68)

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	31 456	(2 125)	5 200	5 583	5 821	(78 257)	32 322	–
Cumulative	31 456	29 331	34 531	40 114	45 935	(32 322)	–	–

^ *Includes call deposits of R56.6 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 no official change in interest rates, despite the fact that inflation exceeded the target at the end of the third quarter. However, the yield curve fluctuated markedly around the short end anchor point as firstly fears of rates cuts surfaced in the first half of the year and then speculation on a possible rate hike surfaced in the latter part of the year. The monetary authorities indicated that inflation would remain out of the target range for a significant period, but concern over global weakness and possible recession on the back of the European bank and credit crisis stayed their hand. 2011 saw borrowing costs for debt stressed Euro sovereigns spiral to new highs in November on the spike in risk aversion, driving global money market rates up and the Rand weaker. The Rand was also very volatile, ending the year weaker than it started, although it depreciated by double this to R8.57:USD (R13.31:GBP) in November.

The high level of liquidity in global markets on the back of Central Banks' action, including the quantitative easing in the UK and the ECB provision of unlimited three year loans, has driven demand for both SA's bonds and emerging market assets in general, with the result that the rand has ended the financial year close to fair value (currently estimated around R7.67:USD).

Investec continued to build its cash resources over the course of the year as general fund raising activities more than exceeded a slight uptick in lending activities.

One over-riding constant though was a continual upward pressure on longer-term spreads to the three-month JIBAR benchmark as banks competed to lengthen their deposit books in the face of a marked drop in the appetite for longer duration assets from Money Market funds in particular.

Investec continued to build its cash resources over the course of the year as general fund raising activities more than exceeded a slight uptick in lending activities. The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 13.8% from 1 April 2011 to R176.1 billion at 31 March 2012. Cash and near cash balances increased by 31.3% from 1 April 2011 to R69.1 billion at 31 March 2012. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues:

- We issued 10 year subordinated debt totalling R3.0 billion over the course of the year
- We issued medium-term 3.5 and 10 year notes totalling R2.8 billion over the course of the year
- We raised 1.2 billion USD equivalent multicurrency syndicated loan for 24 months to boost our foreign currency cash reserves.

Our major focus along with other major South African banks has been a desire to reshape the nature of our deposit books towards more retail and longer-term funds in order to meet the new Basel III liquidity guidelines that will be implemented in 2015. We anticipate no problems in meeting the new regulations in time; however, the impact on overall margins will be negative in the short to medium term.

Regulatory considerations – balance sheet risk

Regulators are proposing to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have reduced risk and maintained strong capital, funding and liquidity.

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.

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. 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 reshape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks whilst the regulatory developments could result in additional costs.

We have been an active participant in regulatory and industry forums to promote best practice standards on liquidity management.

Two key liquidity measures as defined are:

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of one month liquidity profile, by ensuring that banks 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.

Both the LCR and the NSFR will be subject to an observation period and will include a review clause to address any unintended consequences. 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.

South Africa is also committed to implementing the BCBS guidelines for liquidity risk, by the due dates of 2015 and 2018.

Investec is involved in the process in the following ways:

- Collectively via the Banking Association of South Africa and their task groups
- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury Structural Funding and Liquidity Risk task team.

The banking industry in South Africa will find it difficult to meet the new ratios (LCR and NSFR) as a result of the shortcomings and constraints in the South African environment. The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. The proposed liquidity measures have the potential to impact growth and job creation in the economy. In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South African market and make recommendations to address these limitations.

The SARB issued the first draft for the proposed changes to implement the new liquidity framework in early April 2012 and it is expected to be finalised in early 2013.

The regulator has issued Guidance note 5 – 2012, following the BCBS guideline for 'Treatment of jurisdictions with insufficient liquid assets', which makes provisions for 'contractual committed liquidity facilities form the relevant central bank, with a fee' where a jurisdiction has an insufficient supply of Level 1 assets in their domestic currency to meet the aggregate demand of banks with significant exposures in this currency.

Operational risk

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. Loss is not limited to financial consequences, but may affect business objectives, customer service and regulatory responsibilities.

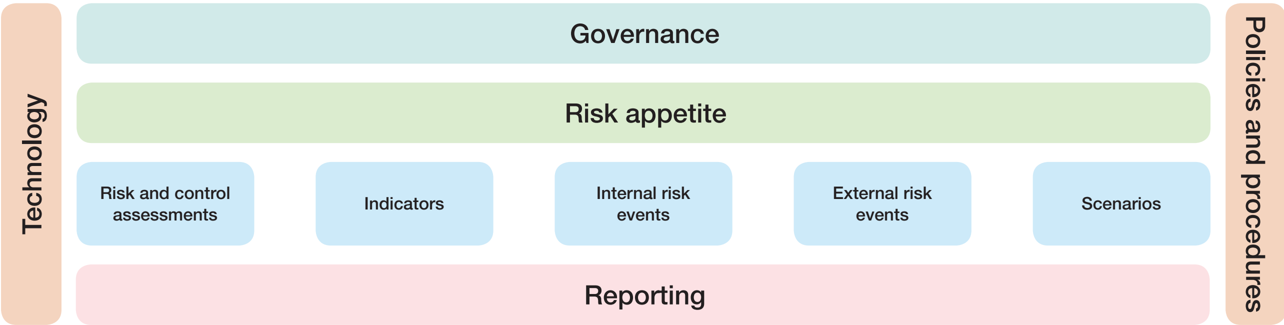
We recognise that there is a significant risk inherent in the operations of a bank. We therefore endeavour to manage exposures and events, through the promotion of sound operational risk management practices, to an acceptable level. This is done taking the cost and benefits of mitigation into account.

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

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.

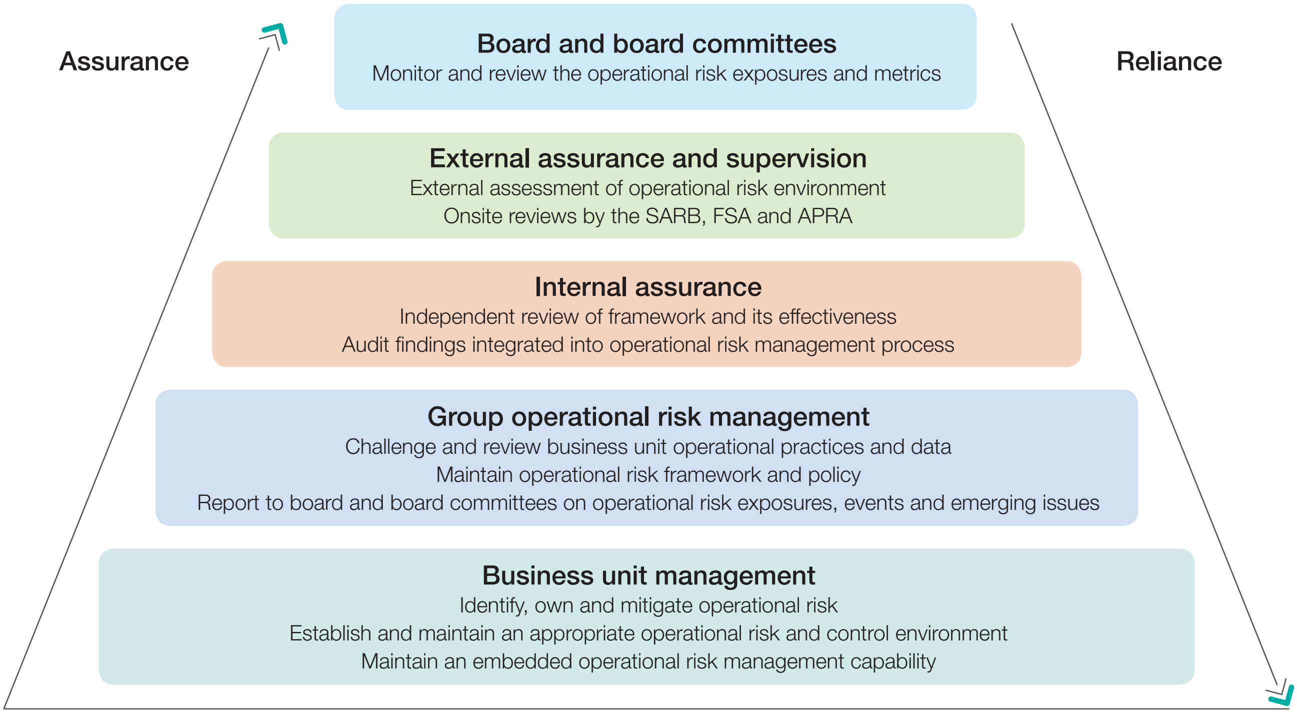
Operational risk management framework

The objective of the framework is to set out a structured and efficient approach to manage operational risk and thereby improve business performance and comply with regulatory requirements.



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:



At a group level policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate and consistent manner.

Operational risk at the business unit level is managed by embedded risk managers (ERMs). Significant risk exposures and events are subject to action and escalation by ERMs in terms of the Operational Risk Appetite policy. This policy sets out the operational risk exposure that the group is willing to accept or retain.

Operational risk practices

The following practices are key to the management of operational risk as described below:

Practice	Activity
Risk and control assessment	• Qualitative assessment to identify key risks and controls • Allows for improvement of ineffective controls and risk management decisions through an enhanced understanding of the operational risk profile.
Risk indicators	• Monitoring of risk exposures • Assists in predictive capability through provision of early warning signs.
Internal risk events	• An incident, event or loss resulting from failed processes, people and systems or external events • A causal analysis is performed to link the event and consequence to risks and controls • Enables business to identify and correct control weakness.
External risk events	• Collected from selected public sources and analysed in a similar manner to internal risk events • Analysis allows for improvement of the control environment through the awareness of possible risks.
Scenarios	• Extreme, unexpected but plausible loss events not yet experienced for which the financial and non-financial impacts are evaluated • Used to measure the exposure arising from key risks, which is considered in determining internal operational risk capital requirements.
Reporting	• Group operational risk management reports to the board, BRCC and audit committee on a regular basis • Purpose is to ensure that risk exposures are understood at all levels throughout the group and key risks are appropriately escalated and managed on a timely basis.
Technology	• An infrastructure supports practices through capture, assessment and linking of operational risks and related data.

The practices which form part of the operational risk management framework, as described above, are monitored on an ongoing basis by group Operational Risk Management and the ERMs. These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the group.

Key operational risk considerations

The following risks, which may result in reduction of earnings and/or loss of value should they materialise, are a key focus of the group.

Financial crime

Financial crime is the risk of loss due to, but not limited to, fraud, forgery, theft and corruption. It also includes the execution of trades which have not been appropriately authorised. It is identified, assessed, monitored and measured to ensure that the risk of loss is understood, managed and mitigated.

Financial crime is mitigated as follows:

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

Senior management is responsible for implementing appropriate financial crime risk mitigation and control practices. Group forensic risk management provides and maintains the framework, policies, practices and monitoring to promote sound risk management practices and provide investigative support.

Regulatory and compliance risk

Regulatory and compliance risk relates to the failure to comply with applicable laws, regulation or codes.

It has become increasingly significant due to the extent and complexity of laws and regulations with which the group is expected to comply. Group Compliance and group Legal assist in the management of this risk through the identification and adherence to legal and regulatory requirements to which the group is or will become subject to.

Information security risk

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

Process management risk

This risk of loss arises due to failed process management. Losses in this area are continually mitigated through careful consideration of control effectiveness.

Developments

During the year under review the operational risk management function revisited the operational risk governance structure to ensure alignment with sound practices, other risk disciplines and changes within the group structure. Output from other assurance activities has also been integrated to enhance the operational risk management process.

Enhancement of the risk and control environment remains a key area of focus through the constant development of the operational risk management framework as practices are advanced. This is also achieved through an increase in industry interaction, which creates awareness of best practice.

The group also monitors regulatory developments and actively engages 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 ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site(s). Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

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 of 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 1 capital ratio of 11% and a total capital adequacy ratio range of 15% to 18%, 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.

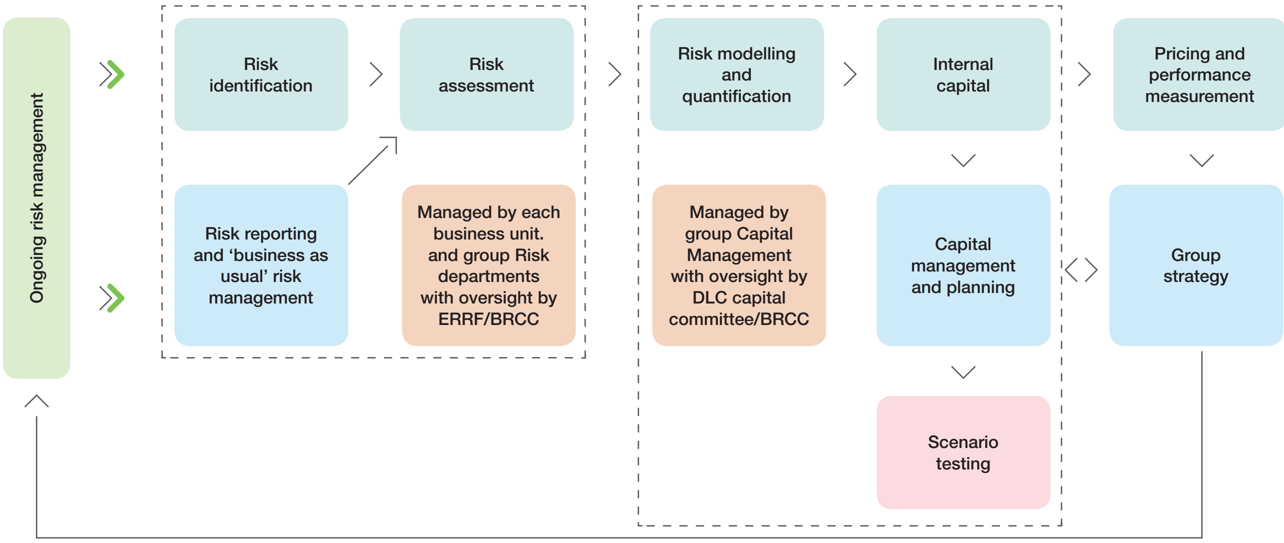
Internal capital performs a critical role in:

- 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 tracking 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.

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.

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 is based on analysis of internal data, management expertise, management 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 the 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 the DLC capital committee.

These forums have been in place for several years and their roles and responsibilities are discussed in the Investec group's 2012 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. A formally constituted capital management committee also exists in 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 Client and Corporate Client):
  - 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 coordinates, 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 identifies, assesses and quantifies 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.

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 the 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 management and allocation

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 170 and 171.

R'million	31 March 2012	31 March 2011
Regulatory capital		
Tier 1		
Called up share capital	29	27
Share premium	13 527	11 845
Retained income	7 807	7 067
Treasury shares	–	–
Other reserves	6	250
Non-controlling interest in subsidiaries	–	–
Goodwill and intangible assets	(96)	(108)
Primary capital (tier 1)	21 273	19 081
Less: deductions	(248)	(297)
	21 025	18 784
Tier 2 capital		
Aggregate amount	8 915	7 039
Less: deductions	(248)	(297)
	8 667	6 742
Total capital	29 692	25 526

Capital requirements

R'million	31 March 2012	31 March 2011
Capital requirements	17 504	15 537
Credit risk – prescribed standardised exposure classes	13 081	11 662
Corporates	7 773	7 369
Secured on real estate property	1 246	1 166
Counterparty risk on trading positions	498	364
Short-term claims on institutions and corporates	2 033	1 553
Retail	314	291
Institutions	1 125	841
Other exposure classes	92	78
Securitisation exposures	382	450
Equity risk – standardised approach	2 376	2 109
Listed equities	229	295
Unlisted equities	2 147	1 814
Market risk – portfolios subject to internal models approach	421	90
Interest rate	125	40
Foreign exchange	120	21
Commodities	2	1
Equities	174	28
Operational risk – standardised approach	1 244	1 226

Capital management and allocation (continued)

Capital adequacy

R'million	31 March 2012	31 March 2011
Primary capital (tier 1)	21 273	19 081
Less: deductions	(248)	(297)
	21 025	18 784
Tier 2 capital		
Aggregate amount	8 915	7 039
Less: deductions	(248)	(297)
	8 667	6 742
Total capital	29 692	25 526
Risk-weighted assets (banking and trading)	184 253	163 537
Credit risk – prescribed standardised exposure classes	137 704	122 751
Corporates	81 824	77 573
Secured on real estate property	13 117	12 270
Counterparty risk on trading positions	5 245	3 829
Short-term claims on institutions and corporates	21 401	16 342
Retail	3 301	3 067
Institutions	11 846	8 852
Other exposure classes	970	818
Securitisation exposures	4 017	4 737
Equity risk – standardised approach	25 011	22 204
Listed equities	2 407	3 110
Unlisted equities	22 604	19 094
Market risk – portfolios subject to internal models approach	4 424	943
Interest rate	1 314	420
Foreign exchange	1 266	221
Commodities	17	9
Equities	1 827	293
Operational risk – standardised approach	13 097	12 902
Capital adequacy ratio	16.1%	15.6%
Tier 1 ratio	11.4%	11.5%

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, namely Investec Bank plc, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings as at 31 March 2012 are as follows:

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch	Long term ratings		
	Foreign Currency	BBB	BBB
	National		A+(zaf)
	Short term rating		
	Foreign Currency	F3	F3
	National		F1 (zaf)
	Viability rating	bbb	bbb
	Support rating	5	2
Moody's	Long term deposit ratings		
	Foreign Currency		A3
	National		Aa3 (za)
	Short term deposit rating		
	Foreign Currency		Prime-2
	National		P1 (za)
	Bank financial strength rating		C-
Global Credit Ratings	Local currency		
	Short-term rating		A1+(za)
	Long-term rating		AA-(za)

Internal audit

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.

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Internal audit activity is governed by an internal audit charter which is approved by the group audit committees and is 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 heads of internal audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes the heads of internal audit also report to the global head of corporate governance and compliance. The 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. An update on the status of previously raised issues is provided by Internal Audit to each audit committee, if there are concerns in relation to overdue issues these will be escalated to the board to expedite resolution.

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.

Compliance

In keeping with our core values, Investec endeavours to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our customers and shareholders at the forefront of the corporate agenda. We also seek to bring high standards of compliance good practice to all our jurisdictions in order to build trust and promote the quality of service to our colleagues and clients.

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. At Investec we manage compliance risk through internal policies and processes, which include legal, regulatory and operational requirements relevant to the business. Those responsible for compliance work closely with the business and operational units to ensure consistent management of compliance risk. They also provide regular training and advice on emerging policy issues to ensure that all employees are familiar with their regulatory obligations.

As well as monitoring the business units to ensure adherence to policies and procedures, compliance officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all jurisdictions.

In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities, key compliance functions include ensuring that the business is not being used for money laundering, terrorist financing or market abuse, that customers are fairly treated and afforded the necessary consumer protections and that conflicts of interests are adequately identified and managed. Current regulatory themes and developments in these, and other areas, are covered in the respective jurisdiction's year in review below.

The volume of regulatory pressure on the sector to implement reforms has continued to be resource intensive, with little indication that the rate of regulatory intervention is likely to slow down in the near future. Despite this pressure, Investec has continued to successfully adapt to the changing landscape by dedicating significant resources to monitoring, analysing and implementing regulatory developments as they arise.

Year in review

The 2011 budget speech, and National Treasury's publication of the Red Book with the same title, highlighted the need for 'A safer financial sector to serve South Africa better' and the required regulatory response post the global financial crisis. The 'Twin Peaks' model of regulation was identified as the most appropriate model going forward with separate regulators being responsible for prudential and market conduct regulation across industries. The Red Book proposes the South African Reserve Bank (SARB) as the prudential regulator and Financial Services Board (FSB) as the market conduct regulator.

To give effect to the Twin Peaks model of regulation a variety of South African legislation needs to be amended to ensure each regulator has the appropriate authority and scope to enable adequate regulation. To initiate this process the FSB has published 'The Roadmap: Treating Customers Fairly' (TCF) which sets out their programme and intended timelines for market conduct regulation. The six principles set out by the FSB mirror the equivalent principles published by the Financial Services Authority UK.

Consumer protection

Accordingly, consumer protection regulation remains a key focus into 2012 with additional emphasis on aligning existing processes with the TCF Roadmap published by the FSB.

As required by FAIS, the fit and proper status of representatives and key individuals of all licensed Investec financial services providers (FSPs) is monitored on an ongoing basis and the requisite reports are made to the FSB. The 'fit and proper' status refers to the qualifications and experience needed to perform a representative or key individual role for an FSP, and includes the requirement to successfully complete designated representative exams. The majority of representatives and key individuals of Investec FSPs have already successfully completed the required regulatory examinations, despite the extensions granted to June and September 2012, respectively. We are satisfied that all representatives and key individuals will be 'fit and proper' by the necessary deadlines.

The most recent draft of the Protection of Personal Information Bill (POPI) was debated at the Technical Working Committee during March 2012. The next version, incorporating amendments, was presented to the full Portfolio Committee during the April 2012 parliamentary term. Promulgation is anticipated during 2012, although implementation time frames have not been agreed yet. 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.

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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.

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2012 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 29 and details of the various board committees can be found in the Investec group's 2012 annual report.

As allowed under the Companies Act No 71 of 2008, as amended, (the Act) and the Banks Act No 94 of 1990 as amended, the audit committee of Investec Limited and the DLC social and ethics committee, which are both statutory committees as per the Act, perform the necessary functions required on behalf of Investec Bank Limited.

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, nominations 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 95 to 105 and in the Investec group's 2012 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 as is evidenced in the various sections of the Investec group's 2012 annual report.

The following principle of King III is currently not being applied by Investec Bank Limited:

- Sustainability reporting and disclosure should be independently assured
  - Sustainability reporting and related disclosure was not independently assured by an external expert. The audit committees have overseen the integrated report, including sustainability disclosures, which have been verified by the Internal Audit division
  - We recognise the importance of sustainability reporting and verification of our efforts in this area. During the 2012 financial year, we designed and implemented a reporting system to align our sustainability process across the group and accordingly we will be able to commission external verification for the 2013 financial year.

Financial reporting and going concern

Disclosure regarding the group's financial reporting and going concern can be found in the Investec group's 2012 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 65 to 71.

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 92 and 93.

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 2012 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 2012
Executive directors				
S Koseff (chief executive officer)	30 June 1990	No	2010	No
B Kantor (managing director)	30 June 1990	No	2011	No
DM Lawrence (deputy chairman)	1 July 1997	No	2009	Yes
GR Burger (group risk and finance director)	30 June 1990	No	2011	No
B Tapnack	1 July 1997	No	2011	No
Non-executive directors				
F Titi (chairman)	3 July 2002	Yes	2009	Yes
SE Abrahams	1 July 1997	Yes	2010	No
MP Malungani	21 August 2001	No	2009	Yes
Sir David Prosser	15 July 2011	Yes	–	Yes
KXT Socikwa	18 July 2006	Yes	2010	No
PRS Thomas	1 July 1997	Yes	2011	No
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 2012 annual report.

Independence

Chairman

Fani Titi resigned as board member and chairman of Tiso Group Limited (Tiso) during March 2008. Tiso had 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 considered to be independent as it has been more than 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 had 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 lll, 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 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 of Investec Bank Limited. The board concluded that Sam 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 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.

Performance evaluation of the board and directors as well as training and development are matters that are standing agenda items of the nominations and directors' affairs committee.

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 secretary 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 the Investec group's 2012 annual report for more information regarding:

- Independent advice
- Board committees – including the report prepared by the chairman of the audit committee. In terms of the King III Code and the Companies Act No 71 of 2008, as amended, the chairman of the audit committee should report to shareholders on its statutory duties. The audit committee of Investec Limited performs the necessary functions required on behalf of Investec Bank Limited. The report by the chairman of the audit committee can be found in the Investec group's 2012 annual report
- 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.

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.

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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 93. 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.

The deputy chairman is David Lawrence and the board has not appointed a lead independent director.

Board meetings

The board of Investec Bank Limited met six 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)	6	6
B Kantor (managing director)	6	5
DM Lawrence (deputy chairman)	6	5
GR Burger (group risk and finance director)	6	6
B Tapnack	6	6
Non-executive directors		
F Titi (chairman)	6	6
SE Abrahams	6	6
MP Malungani	6	6
Sir David Prosser*	6	5
KXT Socikwa	6	4
PRS Thomas	6	5
CB Tshili	6	6

* *Sir David Prosser was appointed to the board of directors on 15 July 2011.*

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 Memorandum of Incorporation 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 2012 annual general meeting are on page 87.

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 a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision. Matters of succession are considered regularly.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The board risk and capital committee, audit and sub-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 committee. Reports from the audit committee, board risk and capital committee and risk and control functions are reviewed at each board meeting.

Reports from the audit committee, board risk and capital committee and risk and control functions are reviewed at each board meeting.

Directorate

Executive directors

S Koseff (60)
Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Committees: Board risk and capital, DLC capital, DLC social and ethics and global credit

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.

Current directorships: The Bidvest Group Limited and a number of investee subsidiaries.

B Kantor (62)
Managing director
CTA

Committees: Board risk and capital, DLC capital, DLC social and ethics and global credit

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.

Current directorships: Phumelela Gaming and Leisure Limited and a number of Investec subsidiaries.

DM Lawrence (60)
Deputy chairman
BA (Econ) (Hons), MCom

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.

Current directorships: Cadiz Holdings Limited and Corovest (Pty) Limited.

GR Burger (55)
Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Committees: Board risk and capital, DLC capital and global credit

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Current directorships: A number of Investec subsidiaries.

B Tapnack (65)
BCom, CA(SA)

Bradley joined Investec in 1989. Before Investec Bradley was the finance director of I Kuper & Co (Pty) Limited. He was previously finance director at Investec and is currently global head of compliance and corporate governance.

Current directorships: Metaf Investment Holdings (Pty) Limited and a number of Investec subsidiaries.

Non-executive directors

F Titi (49)

Chairman

BSc (Hons), MA, MBA

Committees: Board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Fani is joint chairman of the Investec group and was formerly the chairman of Tiso Group Limited.

Current directorships: Tsiya Group (Pty) Limited and a number of its investee companies, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Limited.

SE Abrahams (73)

FCA, CA(SA)

Committees: DLC audit, Investec plc audit, Investec Limited audit, DLC nominations and directors' affairs, board risk and capital, DLC capital and global credit

Sam is a former international partner and South African managing partner of Arthur Andersen.

Current directorships: The Foschini Group Limited and a number of Investec subsidiaries.

MP Malungani (54)

BCom, MAP, LDP

Committees: Board risk and capital

Peter is chairman and founder of Peu Group (Pty) Limited.

Current directorships: 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.

Sir David Prosser (68)

BSc (Hons), FIA

Committees: Board risk and capital, DLC nominations and directors' affairs and DLC remuneration

Sir David was previously chief executive of Legal & General Group PLC, joining Legal & General in 1988 as group director (investments) becoming deputy chief executive in January 1991 and group chief executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.

Current directorships: Epson Downs Racecourse Limited, The Royal Automobile Club Limited, Pippbrook Limited.

KXT Sockiwa (43)

BCom, LLB, MAP, IPBM (IMD)

Committees: DLC nominations and directors' affairs and board risk and capital

Karl is the chief executive officer of Transnet Port Terminals.

Current directorships: RAM Transport (South Africa) (Pty) Limited and The Brand Union (Pty) Limited.

PRS Thomas (67)

CA(SA)

Committees: DLC audit, Investec plc audit, Investec Limited audit, board risk and capital, DLC nominations and directors' affairs, global credit and DLC social and ethics

Peter was the former managing director of The Unisec Group Limited.

Current directorships: Various Investec companies, JCI Limited and various unlisted companies.

CB Tshili (48)

CA(SA)

Committee: Investec Limited audit

Busi has been group finance director at Peu Group (Pty) Limited since October 2001. She serves on the boards and committees of Peu's underlying investments including Super Group.

Current directorships: A number of Peu group companies.

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 Investec.

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 97 to 99)
- Ownership in the form of share incentive scheme participation.

We consider 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 in a risk conscious manner. 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 in a regulated industry and within an effective risk management environment 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-, medium- and long-term success.

In summary, we recognise that banks have to divide the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our core values and philosophies which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Remuneration principles

Our remuneration policy is consistent with the following overarching 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.

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 contain fixed cost elements
- Variable rewards (a portion of which is deferred for senior employees and executive directors) are largely EVA based (and underpinned by our risk appetite and capital utilisation as discussed on pages 75 to 80)
- 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

- Given our stance on the fixed cost component of remuneration (see above), our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards
- The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to award variable performance 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 bank or individual employees require this.

Remuneration policy

In addition to enshrining the principles above, 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 bank on prudential grounds. In addition, no individual is involved in the determination of his/her own remuneration rewards
- Employees must undertake not to 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 arrangements designed to ensure that employees comply with this policy.

Remuneration and effective risk management

Risk consciousness and management is embedded in our organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The board risk and capital committee sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as overseeing the mitigation of risks and overall capital management and allocation process.

The capital committee is a sub-committee of the board risk and capital committee and provides detailed input into the group's identification, quantification and measurement of its capital requirements taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units.

The executive risk review forum is responsible for approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The various central, independent group credit and deal approval forums also provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and by implication, risk premium is built into every approved transaction.

The central credit, deal and risk forums are independent from the operating business units and, by their approval, in effect ensure that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment. These independent committees approve all limits, exposures, credit and investment approvals, ensuring that risk is well managed on a central basis within the group.

Furthermore, both the risk and compliance functions are also embedded in the operating business units and are subject to oversight by the independent central risk and compliance functions.

An added control against conflicts of interest is the embedded collaborative committee-based approval culture of Investec, where most decisions are processed through multiple committees which mitigates the risk that conflicts of interest may influence the decision making process.

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 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 FTSE350 General Finance firms have provided the most appropriate benchmark to date
- For employees, combinations of firms from the JSE Financial 15 and the FTSE350 General Finance sector have offered the most appropriate benchmarks
- 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 may be 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 or sustain either a business unit or our capability in a geography.

Components of remuneration

The reward package for executive directors and employees comprises:

- Fixed base salary and benefits
- Annual variable 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.

Fixed 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 incorporate 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 do not 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 100 has been done on a gross basis (i.e. inclusive of pension fund contributions from the company).

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

Annual variable performance bonus

All employees are eligible to be considered for a discretionary 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, 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.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee and the board.

Our EVA model has been consistently applied for a period in excess of 10 years and encompasses the following elements:

- 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 principle 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 and credit committees. A detailed explanation of our capital management and allocation process is provided on pages 75 to 82
- 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 the degree of risk and the 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 predetermined (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 exceeded, 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.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director would consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance as well as the executive directors 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 group; 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 and in order to ensure that the payment of such discretionary bonuses does not inhibit Investec's ability to maintain/raise its capital levels. 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 internal 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 group 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 bonus awards

All performance bonus awards exceeding a predetermined 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 three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as EVA shares. These awards are made in terms of our existing long-term incentive plans (refer below). The entire amount of the performance bonus that is not deferred is payable up front in cash.

Share option and long-term share incentive plans for the Investec group

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. These share option and incentive plans are also used in appropriate circumstances as a retention mechanism for key talent.

Awards are made in the form of nil cost options other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of forfeitable shares, conditional awards or market strike options.

We follow a philosophy where all employees are eligible for LTIPs. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results. These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three year period
- 'Top up' awards are made at the discretion of line management primarily as a retention tool.

All proposed LTIP awards are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded.

The value of the overall pool of LTIP awards will be reviewed by the remuneration committee in the context of business-wide factors, including:

- Group-wide risk-adjusted EVA
- Non-financial performance and risk factors, based on input from group Risk
- Market context
- Overall affordability.

The remuneration committee may adjust the total pool of LTIP awards on this basis prior to award, leading to consequent alterations in individual award levels. In this way, ex-ante risk-adjusted performance determines the overall LTIP pool outcome.

LTIP awards are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year, which we believe is appropriate for our business requirements. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

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.

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 complies with the provisions of the South African King III Code of Corporate Practice and Conduct, the JSE Limited Listing Requirements, and the South African Companies Act 2008.

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

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2012:

Name	Salaries, directors fees and other remuneration 2012 R	Annual bonus 2012* R	Total remuneration expense 2012 R	Salaries, directors' fees and other remuneration 2011 R	Annual bonus 2011* R	Total remuneration expense 2011 R
Executive directors						
S Koseff (chief executive officer)	1 590 158	–^	1 590 158	1 421 641	3 347 468	4 769 109
B Kantor (managing director)	1 051 843	–^	1 051 843	821 596	2 030 797	2 852 393
GR Burger (group risk and finance director)	1 775 000	–^	1 775 000	1 675 000	7 750 000	9 425 000
DM Lawrence (deputy chairman)	2 433 637	3 150 000	5 583 637	2 299 500	4 275 000	6 574 500
B Tapnack	1 587 500	1 800 000	3 387 500	1 500 000	2 850 000	4 350 000
Total in Rands	8 438 138	4 950 000	13 388 138	7 717 737	20 253 265	27 971 002
Non-executive directors						
F Titi (chairman)	2 413 235	–	2 413 235	1 866 017	–	1 866 017
SE Abrahams	1 863 415	–	1 863 415	1 800 604	–	1 800 604
MP Malungani	690 317	–	690 317	543 293	–	543 293
KXT Socikwa	425 000	–	425 000	330 000	–	330 000
PRS Thomas	1 113 035	–	1 113 035	968 094	–	968 094
B Tshili	355 000	–	355 000	265 000	–	265 000
Total in Rands	6 860 002	–	6 860 002	5 773 008	–	5 773 008
Total in Rands	15 298 140	4 950 000	20 248 140	13 490 745	20 253 265	33 744 010

* *As discussed on page 99, a portion of the bonus is received in cash and a portion is deferred with reference to the value of a predetermined number of Investec Limited shares over a three year period.*

^ *S Koseff, B Kantor and GR Burger waived their bonuses in respect of the year ended 31 March 2012.*

Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2012.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2012 Audited

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2011	Beneficial and non-beneficial interest Investec plc[2] 31 March 2012	% of shares in issue[1] Investec plc 31 March 2012	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2011	Beneficial and non-beneficial interest Investec Limited[3] 31 March 2012	% of shares in issue[1] Investec Limited 31 March 2012
Executive directors						
S Koseff (chief executive officer)	4 839 133	4 839 133	0.8%	1 809 330	1 809 330	0.7%
B Kantor (managing director)	48 525	63 980	–	3 801 000	3 801 000	1.4%
GR Burger (group risk and finance director)	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%	58 313	40 745	–
B Tapnack	75 595	75 595	–	57 568	40 000	–
Total number	8 324 643	8 340 098	1.4%	6 763 287	6 728 151	2.5%
Non-executive directors						
SE Abrahams	20 000	–	–	–	–	–
MP Malungani[4]	–	–	–	3 288 890	–	–
KXT Socikwa	–	–	–	250	250	–
PRS Thomas	195 800	195 800	–	500	500	–
Total number	215 800	195 800	–	3 289 640	750	–
Total number	8 540 443	8 535 898	1.4%	10 052 927	6 728 901	2.5%

1. *The issued share capital of Investec plc and Investec Limited at 31 March 2012 was 598.3 million and 276.0 million shares, respectively*
2. *The market price of an Investec plc share as at 31 March 2012 was £3.82 (2011: £4.78), ranging from a low of £3.18 to a high of £5.22 during the financial year.*
3. *The market price of an Investec Limited share as at 31 March 2012 was R47.16 (2011: R52.80), ranging from a low of R42.00 to a high of R57.36 during the financial year.*
4. *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. MP Malungani is the chairman of Peu. During the year a portion of the transaction with Peu was unwound.*

Directors' interest in preference shares as at 31 March 2012 Audited

Name	Investec Bank Limited 1 April 2011	Investec Bank Limited 31 March 2012	Investec Limited 1 April 2011	Investec Limited 31 March 2012	Investec plc 1 April 2011	Investec plc 31 March 2012
Executive directors						
S Koseff	4 000	4 000	3 000	3 000	101 198	101 198
DM Lawrence	4 000	4 000	5 400	5 400	–	–
B Tapnack	2 000	2 000	3 800	3 800	9 058	9 058

- The market price of an Investec plc preference share as at 31 March 2012 was R45.00 (2011: R51.31)
- The market price of an Investec Limited preference share as at 31 March 2012 was R93.41 (2011: R90.70)
- The market price of an Investec Bank Limited preference share as at 31 March 2012 was R98.25 (2011: R98.00).

Directors' interest in options as at 31 March 2012 Audited

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2011	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012
Executive directors						
B Kantor	20 December 2002	£1.59	9 455	(9 455)	–	–

B Kantor exercised his options and bought 9 455 Investec plc shares on 8 March 2012, when the share price was £4.02 per share. The performance conditions in respect of these options were met.

Investec Limited shares

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

No new option grants were made to executive directors during the financial year.

Directors' interest in long-term incentive plan as at 31 March 2012 Audited

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2011	Exer-cised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012	Period exercisable
DM Lawrence	25 June 2009	Nil	100 000	–	–	100 000	75% is exercisable on 25 June 2013 and 25% on 25 June 2014
	1 July 2010	Nil	100 000	–	–	100 000	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
B Tapnack	23 December 2011	Nil	–	–	100 000	100 000	75% is exercisable on 23 December 2015 and 25% on 23 December 2016

These options are not subject to any performance conditions.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2012 Audited

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2011	Exer-cised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
S Koseff	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
B Kantor	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
GR Burger	25 June 2007	Nil	150 000	–	(150 000)	–	–	–	The entire award was forfeited on 25 June 2011*
	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012^
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015

* *The performance conditions in respect of the award made to GR Burger on 25 June 2007 were not met and accordingly the entire award was forfeited on 25 June 2011.*

^ *The performance conditions in respect of the awards made on 25 June 2009 have not been met and accordingly the awards will be forfeited on 25 June 2012.*

This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in improving Investec's 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.

No additional matching awards were made during the year.

South African Companies Act, 2008 disclosure Audited

Subsequent to regulatory developments in South Africa, Investec Bank Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act No 71 of 2008 as amended, read together with the Companies Regulations 2011 (together the Act), as Prescribed Officers.

The bank operates as a specialist bank within Southern Africa and in keeping with the integrated management structure, the Prescribed Officers for Investec Bank Limited, as per the Act are the following three executive directors:

- Stephen Koseff
- Bernard Kantor
- Glynn Burger.

For disclosure of their remuneration, refer to page 100 of the remuneration report.

Additional remuneration disclosures

Pillar Three remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar Three Disclosure requirements. The bank's qualitative remuneration disclosures are provided on pages 95 to 100. The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2012.

Aggregate remuneration by remuneration type

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Fixed remuneration	69.1	23.9	161.0	254.0
Variable remuneration*				
– Cash	135.7	45.7	58.3	239.7
– Deferred shares	65.7	35.3	5.6	106.6
Other				
– Options – long-term incentive awards made in current year**	0.9	3.9	2.0	6.8
– Options – long-term incentive awards made in prior years**	78.0	21.4	24.3	123.7
Total aggregate remuneration and deferred incentives	349.4	130.2	251.2	730.8

* *Total number of employees receiving variable remuneration was 348.*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year.*

Additional disclosure on deferred remuneration

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	203.8	38.4	5.0	247.2
Deferred remuneration awarded in year	65.7	35.3	5.6	106.6
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(61.2)	(12.9)	(1.9)	(76.0)
Deferred unvested remuneration outstanding at the end of the year	208.3	60.8	8.7	277.8

Additional disclosure on deferred remuneration (continued)

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	208.3	60.8	8.7	277.8
– Cash	–	–	–	–
– Other	–	–	–	–
	208.3	60.8	8.7	277.8

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred remuneration vested in year				
– For awards made in 2011 financial year	–	–	–	–
– For awards made in 2010 financial year	(61.2)	(12.9)	(1.9)	(76.0)
– For awards made in 2009 financial year	–	–	–	–
	(61.2)	(12.9)	(1.9)	(76.0)

Other remuneration disclosures

	Senior management	Risk takers	Financial and risk control staff	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses*				
Made during the year (R'million)	–	–	0.1	0.1
Number of beneficiaries	–	–	1	1

* *Included in variable remuneration as reflected on page 104.*

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Annual 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 2012, 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 71 of 2008, as amended.

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 13 June 2012 and signed on its behalf by:

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Bank Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2012, all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

Benita Coetsee
Company secretary, Investec Bank Limited

13 June 2012

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

Report on the annual financial statements

We have audited the 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 2012, and the consolidated and separate income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report , as set out on pages 109 to 184 and the specified disclosures within the risk management and remuneration report that is marked as audited.

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 the requirements of the Companies Act of South Africa, 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 about 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 annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Bank Limited as at 31 March 2012, and its consolidated and seperate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2012, we have read the Company Secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc

Ernst & Young Inc.
Registered Auditor

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director

13 June 2012

Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditor

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

13 June 2012

KPMG Crescent
85 Empire Road, Parktown
Johannesburg

Directors' report

Nature of business

Investec Bank Limited is a specialist bank providing a diverse range of financial products and services 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 2012.

A review of the operations for the year can be found on pages 8 to 24.

The preparation of the group and company annual financial statements was supervised by the group risk and finance director, Glynn Burger.

Authorised and issued share capital

Details of the share capital are set out in note 38 and 39 to the financial statements.

Ordinary dividends

The following dividends were declared and paid during the year:

- R680 000 000 was declared on 15 June 2011 and paid on 17 June 2011
- R679 000 000 was declared on 1 December 2011 and paid on 2 December 2011.

Preference dividends

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

Preference dividend number 17 for the six months ended 30 September 2011, amounting to 338.42 cents per share, was declared to members holding preference shares registered on 2 December 2011 and was paid on 13 December 2011.

Preference dividend number 18 for the six months ended 31 March 2012, amounting to 338.42 cents per share, was declared to members holding preference shares registered on 15 June 2012 and will be paid on 26 June 2012.

Directors

Details of the directors are reflected on page 87 and pages 92 and 93

Messrs DM Lawrence, F Titi, MP Malungani and Sir David Prosser 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 101 to 103.

Directors' remuneration

Directors' remuneration is disclosed on pages 95 to 105.

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

As allowed under the Companies Act No 71 of 2008, as amended, and the Banks Act No 96 of 1990, as amended, the audit committee of Investec Limited performs the necessary functions required on behalf of Investec Bank Limited.

An audit committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, the 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 2012 annual report.

Social and ethics committee

As allowed under the Companies Act No 71 of 2008, as amended, the social and ethics committee of the group performs the necessary functions required on behalf of Investec Bank Limited.

Auditors

KPMG Inc. and Ernst & Young Inc. have expressed their willingness to continue in office as joint auditors. A resolution to re-appoint KPMG Inc. and Ernst & Young Inc. as joint auditors will be proposed at the annual general meeting taking place on 2 August 2012.

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 167 and the associate companies on page 163.

The interest of the company in the aggregate profits after taxation of its subsidiary companies is R388.6 million (2011: R392.6 million) and its share in aggregate losses is R27.1 million (2011: R76.1 million).

Special resolution

At the annual general meeting of members held on 4 August 2011, the following special resolutions were 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
- The board of directors of Investec Bank Limited may authorise Investec Bank Limited to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, not in the ordinary course of business
- The remuneration of the non-executive directors was approved for a period of 24 months from the date of passing the special resolution.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with the applicable South African law and International Financial Reporting Standards. These policies are set out on pages 118 to 129.

Creditor payment policy

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

Employees

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

Further information is provided in the Investec group's 2012 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 2012 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.

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

13 June 2012

Income statements

For the year to 31 March R'million	Notes	Group 2012	Group 2011*	Company 2012	Company 2011*
Interest income		15 850	14 932	14 924	13 954
Interest expense		(11 581)	(11 062)	(11 060)	(10 570)
Net interest income		4 269	3 870	3 864	3 384
Fee and commission income	1	1 146	948	1 100	905
Fee and commission expense	1	(91)	(39)	(85)	(34)
Investment income	2	589	1 208	500	1 201
Trading income					
– Arising from customer flow		259	209	261	209
– Arising from balance sheet management and other trading activities		175	253	179	252
Other operating income/(loss)	3	10	(2)	1	–
Total operating income before impairment losses on loans and advances		6 357	6 447	5 820	5 917
Impairment losses on loans and advances	23	(833)	(852)	(762)	(832)
Operating income		5 524	5 595	5 058	5 085
Operating costs	4	(3 351)	(3 181)	(3 128)	(2 995)
Profit before taxation		2 173	2 414	1 930	2 090
Taxation	6	(215)	(132)	(331)	(122)
Profit after taxation		1 958	2 282	1 599	1 968
Loss attributable to non-controlling interests		–	4	–	–
Earnings attributable to shareholders		1 958	2 286	1 599	1 968

* *As restated for reclassifications detailed in note 48.*

Statements of comprehensive income

For the year to 31 March R'million	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Profit after taxation		1 958	2 282	1 599	1 968
Other comprehensive income:					
Cash flow hedge movements taken directly to other comprehensive income	6	(354)	82	(354)	82
Fair value movements on available-for-sale assets taken directly to other comprehensive income	6	84	23	84	23
Gain on realisation of available-for-sale assets recycled through the income statement	6	(42)	–	(42)	–
Foreign currency adjustments on translating foreign operations		229	(128)	3	1
Total comprehensive income		1 875	2 259	1 290	2 074
Total comprehensive income attributable to non-controlling interests		–	(4)	–	–
Total comprehensive income attributable to ordinary shareholders		1 875	2 263	1 290	2 074
Total comprehensive income		1 875	2 259	1 290	2 074

Balance sheets

At 31 March R'million	Notes	Group 2012	Group 2011*	Group 2010*	Company 2012	Company 2011*	Company 2010*
Assets							
Cash and balances at central banks	13	9 303	6 813	3 660	9 274	6 768	3 617
Loans and advances to banks	14	19 191	4 918	13 245	17 505	4 021	10 550
Non-sovereign and non-bank cash placements		7 885	5 829	6 455	7 885	5 829	6 455
Reverse repurchase agreements and cash collateral on securities borrowed	15	5 098	8 157	3 776	5 098	8 157	3 776
Sovereign debt securities	16	30 222	29 118	18 668	30 222	29 117	18 668
Bank debt securities	17	27 695	18 169	13 305	26 734	18 169	13 305
Other debt securities	18	6 284	4 888	2 003	5 665	4 760	2 757
Derivative financial instruments	19	10 595	11 487	7 829	10 387	11 230	7 485
Securities arising from trading activities	21	1 628	625	624	1 628	625	624
Investment portfolio	22	6 036	5 766	5 380	5 897	5 705	5 194
Loans and advances to customers	23	122 615	114 439	110 894	114 497	107 844	104 223
Own originated loans and advances to customers securitised	24	2 302	934	1 369	913	905	852
Other loans and advances	23	669	784	1 025	669	784	1 113
Other securitised assets	24	1 057	1 242	2 162	410	–	–
Interests in associated undertakings	25	38	135	180	–	–	–
Deferred taxation assets	26	46	42	22	–	15	–
Other assets	27	1 074	981	924	775	784	848
Property and equipment	28	308	286	164	296	281	157
Investment properties	29	5	5	5	1	1	1
Intangible assets	30	96	108	96	94	106	92
Loans to group companies	31	3 805	6 836	6 093	5 233	8 341	8 037
Investment in subsidiaries	32	–	–	–	3 882	1 007	1 154
		255 952	221 562	197 879	247 065	214 449	188 908
Liabilities							
Deposits by banks		13 933	10 956	9 554	13 776	10 273	8 827
Derivative financial instruments	19	8 570	10 495	7 144	8 570	10 495	7 145
Other trading liabilities	33	172	389	454	172	389	454
Repurchase agreements and cash collateral on securities lent	15	18 174	10 733	6 281	18 174	10 733	6 281
Customer accounts (deposits)		176 094	154 772	143 390	173 039	152 350	139 925
Debt securities in issue	34	1 738	2 489	2 758	901	1 563	1 559
Liabilities arising on securitisation of own originated loans and advances	24	2 933	931	1 487	913	905	852
Liabilities arising on securitisation of other assets	24	492	1 243	1 220	–	–	–
Current taxation liabilities	35	1 113	1 024	857	1 120	1 024	849
Deferred taxation liabilities	26	9	349	444	3	201	270
Other liabilities	36	3 082	2 478	2 495	2 893	2 366	2 319
		226 310	195 859	176 084	219 561	190 299	168 481
Subordinated liabilities	37	8 709	6 866	5 341	8 709	6 866	5 341
		235 019	202 725	181 425	228 270	197 165	173 822
Equity							
Ordinary share capital	38	29	27	25	29	27	25
Share premium	40	13 527	11 845	10 530	13 527	11 845	10 530
Other reserves		(119)	(100)	(156)	(185)	124	18
Retained income		7 496	7 065	6 051	5 424	5 288	4 513
Shareholders' equity excluding non-controlling interests		20 933	18 837	16 450	18 795	17 284	15 086
Non-controlling interests		–	–	4	–	–	–
Total equity		20 933	18 837	16 454	18 795	17 284	15 086
Total liabilities and equity		255 952	221 562	197 879	247 065	214 449	188 908

* *As restated for reclassifications detailed in note 48.*

Statements of changes in equity

R'million	Ordinary share capital	Share premium
Group		
At 1 April 2010	25	10 530
Movement in reserves 1 April 2010 – 31 March 2011		
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	–	–
Foreign currency adjustments on translating foreign operations	–	–
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 earnings to regulatory general risk reserve	–	–
At 31 March 2011	27	11 845
Movement in reserves 1 April 2011 – 31 March 2012		
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	–	–
Fair value movements on available-for-sale assets recycled to the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Total comprehensive income for the year	–	–
Issue of ordinary shares	2	1 682
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from retained earnings to regulatory general risk reserve	–	–
At 31 March 2012	29	13 527

	Other reserves							
	Regulatory general risk reserve	Available-for-sale reserve	Cash flow hedge reserve	Foreign currency reserve	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total equity
	180	(2)	20	(354)	6 051	16 450	4	16 454
	–	–	–	–	2 286	2 286	(4)	2 282
	–	–	82	–	–	82	–	82
	–	23	–	–	–	23	–	23
	–	–	–	(128)	–	(128)	–	(128)
	–	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
	–	–	–	–	1 958	1 958	–	1 958
	–	–	(354)	–	–	(354)	–	(354)
	–	84	–	–	–	84	–	84
	–	(42)	–	–	–	(42)	–	(42)
	–	–	–	229	–	229	–	229
	–	42	(354)	229	1 958	1 875	–	1 875
	–	–	–	–	–	1 684	–	1 684
	–	–	–	–	(1 359)	(1 359)	–	(1 359)
	–	–	–	–	(104)	(104)	–	(104)
	64	–	–	–	(64)	–	–	–
	323	63	(252)	(253)	7 496	20 933	–	20 933

Statements of changes in equity (continued)

R'million	Ordinary share capital	Share premium	Other reserves: Available-for-sale reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign currency reserve	Retained income	Total equity
Company							
At 1 April 2010	25	10 530	(1)	20	(1)	4 513	15 086
Movement in reserves 1 April 2010 – 31 March 2011							
Profit after taxation	–	–	–	–	–	1 968	1 968
Cash flow hedge movements taken directly to other comprehensive income	–	–	–	82	–	–	82
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	23	–	–	–	23
Foreign currency adjustments on translating foreign operations	–	–	–	–	1	–	1
Total comprehensive income for the year	–	–	23	82	1	1 968	2 074
Issue of ordinary shares	2	1 298	–	–	–	–	1 300
Issue of perpetual preference shares	–	17	–	–	–	–	17
Dividends paid to ordinary shareholders	–	–	–	–	–	(1 073)	(1 073)
Dividends paid to perpetual preference shareholders	–	–	–	–	–	(120)	(120)
At 31 March 2011	27	11 845	22	102	–	5 288	17 284
Movement in reserves 1 April 2011 – 31 March 2012							
Profit after taxation	–	–	–	–	–	1 599	1 599
Cash flow hedge movements taken directly to other comprehensive income	–	–	–	(354)	–	–	(354)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	84	–	–	–	84
Fair value movements on available-for-sale assets recycled to the income statement	–	–	(42)	–	–	–	(42)
Foreign currency adjustments on translating foreign operations	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	42	(354)	3	1 599	1 290
Issue of ordinary shares	2	1 682	–	–	–	–	1 684
Dividends paid to ordinary shareholders	–	–	–	–	–	(1 359)	(1 359)
Dividends paid to perpetual preference shareholders	–	–	–	–	–	(104)	(104)
At 31 March 2012	29	13 527	64	(252)	3	5 424	18 795

Cash flow statements

For the year to 31 March R'million	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash flows from operating activities					
Operating profit adjusted for non-cash items	42	3 100	3 389	2 781	3 014
Taxation paid		(470)	(80)	(418)	(31)
Increase in operating assets	42	(24 511)	(20 791)	(21 614)	(22 527)
Increase in operating liabilities	42	30 234	19 974	29 365	21 712
Net cash inflow from operating activities		8 353	2 492	10 114	2 168
Cash flows from investing activities					
Net investment in property, equipment and intangible assets		(146)	(229)	(135)	(230)
Net investment in associates		109	3	–	–
Net investment in subsidiaries		–	–	(2 875)	147
Net cash outflow from investing activities		(37)	(226)	(3 010)	(83)
Cash flows from financing activities					
Proceeds on issue of shares, net of related costs		1 684	1 317	1 684	1 317
Dividends paid to ordinary shareholders		(1 359)	(1 073)	(1 359)	(1 073)
Dividends paid to perpetual preference shareholders		(104)	(120)	(104)	(120)
Net inflow on subordinated debt raised		1 843	1 525	1 843	1 525
Net cash inflow from financing activities		2 064	1 649	2 064	1 649
Effects of exchange rates on cash and cash equivalents		146	(21)	–	–
Net increase in cash and cash equivalents		10 526	3 894	9 168	3 734
Cash and cash equivalents at the beginning of the year		14 468	10 574	14 265	10 531
Cash and cash equivalents at the end of the year		24 994	14 468	23 433	14 265
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		9 303	6 813	9 274	6 768
On demand loans and advances to banks		7 806	1 826	6 274	1 668
Non-sovereign and non-bank cash placements		7 885	5 829	7 885	5 829
Cash and cash equivalents at the end of the year		24 994	14 468	23 433	14 265

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

Accounting policies

Basis of presentation

The 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 and the Companies Act 71 of 2008.

The group and company financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting, 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:

- The group retrospectively adopted the amendments to IAS 24 Related Parties which related to the clarification of a definition of a related party (noting that an investor, its subsidiaries and interests in associated undertakings are related parties to each other). These amendments have had no material impact on the financial statements of the group.
- The following amendments and improvements to IFRS have been adopted retrospectively, with no impact to the financial statements of the group:
  - IFRS 7 Financial Instruments: Disclosures
  - IFRIC 14 Prepayments of a Minimum Funding Requirement
  - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  - IAS 1 Presentation of Financial Statements
  - IAS 27 Consolidated and Separate Financial Statements
  - IFRIC 13 Customer Loyalty Programmes.

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 report on pages 26 to 83.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report as included in the combined consolidated financial statements of Investec Limited and Investec plc.

Restatements and presentation of information

The Investec group has revised its disclosure of business segments into three core (previously six) business lines, namely, Asset Management, Wealth & Investment and Specialist Banking. To align with information provided to the chief operating decision maker, the previously reported Private Banking, Investment Banking, Capital Markets and Group Services and Other activities have been grouped under one core business division referred to as Specialist Banking for Investec Bank Limited. Associated with these changes, the group has refined the disclosures relating to the income statement and balance sheet as detailed in note 48 on pages 181 to 184. The group believes that these refinements provide greater clarity on the key income and balance sheet drivers of its business.

Basis of consolidation

All subsidiaries and special purpose entities (SPE's) 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 income statement line item as discontinued operations.

Investec sponsors the formation of SPE's for a variety of reasons. SPE's are consolidated when the substance of the relationship between the group and the SPE indicates that the SPE is controlled by the group. Investec performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between Investec and an SPE. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

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

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

In circumstances where interests in associated undertakings 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.

Subsidiaries are held in the company at the lower of cost (including loan advances to subsidiaries) and impaired value.

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

In alignment with information provided to the chief operating decision maker, the previously reported Private Banking, Investment Banking, Capital Markets and Group Services and Other divisions have now been grouped under one segment and collectively referred to as Specialist Banking. Accordingly no additional disclosures have been provided regarding the segmental results as the bank only has one segment.

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 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'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, in respect of cash-settled share-based payments, 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

The presentation currency of the group is South African Rand, being the functional currency of Investec in which the group mainly operates, except Mauritius which is USD.

Foreign operations are subsidiaries, interests in the associated undertakings, 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.

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 cost are translated using the exchange rates ruling at the date of the transaction.

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.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities 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 related to provision of services is recognised when the related services are performed. 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 exclude 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 and includes rental income from investment properties.

Investment income includes income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from the balance sheet management.

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.

Dividend income is recognised when the group's right to receive payment is established.

Funding costs allocated against revenue are disclosed in note 2.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings.

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 for 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, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

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'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.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. 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 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 is accounted for as available-for-sale instruments.

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 interests in associated undertakings, joint ventures or subsidiaries of the group and company. Further, 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 directly in other comprehensive income in the available-for-sale reserve. 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 recognises a collective impairment allowance at a central level 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.

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 have expired or when the group and company has transferred its rights to cash flows relating to the financial assets and either (a) the group 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 and 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 currently enforceable 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 documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. 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 directly in other comprehensive income in the cash flow hedge reserve 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 trading income from balance sheet management and other trading activities.

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 hedge item matures or is sold or repaid; 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 a contractual 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 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.

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 lender's 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 amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in 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 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 building 2%
- Leasehold improvements*

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

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

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

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 ‘investment income’.

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.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently three to eight years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

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

As these are not assets of the group 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 tax payable is provided on the amount expected to be payable 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
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, 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 income as incurred, in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Expenses related to provisions are recognised in the income statement. 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. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

New standards

IFRS 10 Consolidated Financial Statements

The standard replaces consolidation principles contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Special Purpose Entities. The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date. The impact of this standard is currently under evaluation.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The key change is to require all joint ventures to be equity-accounted, thus removing the option to proportionately consolidate. The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date. The group does not expect any changes to the accounting policies of the group arising from this standard.

IFRS 12 Disclosure of Interests in Other Entities

The standard requires disclosure of the significant judgements and assumptions made in determining the nature of interests in subsidiaries, joint ventures and interest in associated undertakings and the interest that non-controlling interests have in the group's activities and cash flows. The standard further provides disclosure requirements relating to consolidated and unconsolidated structured entities that the group is associated with. The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date. The impact of this standard is currently under evaluation.

IFRS 13 Fair Value Measurement

The standard defines fair value (being a market-based measurement), sets out in a single IFRS a framework for measuring fair value and requires extensive disclosure about fair value measurements, inclusive of non-financial instruments that are subject to fair value measurement. The standard is prospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date. The impact of this standard is currently under evaluation.

IFRS 9 – Financial Instruments

IFRS 9: Financial Instruments will replace certain key elements of IAS 39 when issued. The three key elements being drafted are:

- Classification and measurement of financial assets and financial liabilities – the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows solely arise from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk are taken directly to other comprehensive income without recycling. These are current deliberations which may result in limited modifications to IFRS 9 relating to classification and measurement

- Impairment methodology – the key change is related to a shift from an incurred loss to an expected loss impairment methodology. This element is subject to continued deliberation with expected amendments to IFRS 9 in 2012
- Hedge accounting – this is subject to deliberation and an exposure draft is expected in 2012.

The standard is effective for the group for the year commencing 1 April 2015, and does not require the restatement of comparative-period financial statements upon initial application. The EU have highlighted that they will not endorse IFRS 9 until a complete standard is issued.

IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)

These amendments require additional disclosures which the group will be in a position to provide. The amendments are effective for the year commencing 1 April 2013.

There are other proposed amendments which do not have a material impact to the financial statements and thus have not been highlighted or discussed above.

Key management assumptions

In preparation of the financial statements the group makes estimations and applies 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 in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 22 with further analysis contained in the risk management section on pages 54 to 56
- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market-related yield applicable at the time. Refer to note 29 for the carrying value of investment property with further analysis contained in the risk management section on pages 54 to 56
- 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 44 to 53 in the risk management section for further analysis on impairments
- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

For the year to 31 March R'million	Group		Company	
	2012	2011	2012	2011
1. Net fees and commissions				
Fund management fees/fees for assets under management	1	18	1	18
Private client transactional fees*	376	506	335	486
Corporate and institutional transactional and advisory services	769	424	764	401
Fee and commission income	1 146	948	1 100	905
Fee and commission expense	(91)	(39)	(85)	(34)
Net fees and commissions	1 055	909	1 015	871

* *Included in fees and commission income are fees for trust and fiduciary duties of R16.0 million (2011: R15.5 million) for the group and Rnil (2011: Rnil) for the company.*

For the year to 31 March R'million	Asset portfolio			
	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Total
2. Investment income				
The following table analyses investment income generated by the asset portfolio shown on the balance sheet				
Group				
2012				
Investment income comprises:				
– Realised	516	11	6	533
– Unrealised	(152)	27	(2)	(127)
– Dividend income	383	(1)	–	382
– Funding costs	(199)	–	–	(199)
Investment income	548	37	4	589
2011				
Investment income comprises:				
– Realised	305	38	–	343
– Unrealised	587	48	–	635
– Dividend income	400	–	–	400
– Funding costs	(169)	(1)	–	(170)
Investment income	1 123	85	–	1 208

* *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March R'million	Asset portfolio Investment portfolio (listed and unlisted equities)*	 Debt securities (sovereign, bank and other)	 Total
2. Investment income (continued)			
Company			
2012			
Investment income comprises:			
– Realised	528	–	528
– Unrealised	(238)	–	(238)
– Dividend income	410	(1)	409
– Funding costs	(199)	–	(199)
Investment income	501	(1)	500
2011			
Investment income comprises:			
– Realised	307	–	307
– Unrealised	566	(30)	536
– Dividend income	409	118	527
– Funding costs	(169)	–	(169)
Investment income	1 113	88	1 201

* *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March R'million	Group 2012	 2011	Company 2012	 2011
3. Other operating income				
Rental income from properties	3	1	–	–
Gains on realisation of properties	1	14	1	–
Other	7	–	–	–
Operating loss from associates	(1)	(17)	–	–
	10	(2)	1	–

For the year to 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
4. Operating costs				
Staff costs	2 181	2 070	2 072	1 973
– Salaries and wages (including directors' remuneration)*	1 788	1 672	1 693	1 585
– Share-based payment expense	279	292	268	283
– Social security costs	14	14	14	14
– Pensions and provident fund contributions	100	92	97	91
Premises (excluding depreciation)	347	349	319	326
Equipment (excluding depreciation)	173	203	146	180
Business expenses**	343	305	295	269
Marketing expenses	171	159	164	155
Depreciation, amortisation and impairment of property, equipment and intangibles	136	95	132	92
	3 351	3 181	3 128	2 995
The following amounts were paid to the auditors:				
Audit fees	25	23	20	17
Other services	–	1	–	1
	25	24	20	18
Fees by audit firm:				
Ernst & Young Inc.	9	9	5	4
KPMG Inc.	16	15	15	14
	25	24	20	18
Minimum operating lease payments recognised in operating costs	313	305	313	305

* *Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report on pages 95 to 105.*

** *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

For the year to 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
5. Share-based payments				
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 (included in operating costs)	279	292	268	283
Fair value of options granted in the year	223	421	215	352

For the year to 31 March	Group				Company			
	2012		2011		2012		2011	
	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
5. Share-based payments (continued)								
Details of options outstanding during the year								
Outstanding at the beginning of the year	27 613 189	0.69	22 450 269	1.23	26 463 754	0.72	21 553 836	1.22
Relocation of employees during the year	894 219	–	(692 067)	–	894 219	–	(690 092)	–
Granted during the year	6 139 563	–	10 752 949	–	5 906 613	–	10 330 462	–
Exercised during the year	(5 244 032)	3.64	(3 781 543)	1.81	(5 018 589)	3.79	(3 659 907)	1.79
Expired during the year	(1 283 853)	–	(1 116 419)	2.28	(1 274 453)	–	(1 070 545)	1.51
Outstanding at the end of the year	28 119 086	–	27 613 189	0.69	26 971 544	–	26 463 754	0.72
Exercisable at the end of the year	736 568	–	640 314	29.70	736 530	–	638 338	29.68

For the year to 31 March R'million	Group	
	2012	2011
The exercise price range and weighted average remaining contractual life for the options outstanding were as follows:		
Options with strike price		
Exercise price range	n/a	R20.28 – R52.40
Weighted average remaining contractual life	n/a	0.58 years
Weighted average fair value of options granted at measurement date	R36.33	R39.11
Long-term incentive grants with no strike prices		
Exercise price range	Rnil	Rnil
Weighted average remaining contractual life	2.98 years	3.32 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	R44.00 – R56.29	R52.55 – R55.40
– Exercise price	Rnil	Rnil
– Expected volatility	30%	30% – 36%
– Option life	5 years	5 years
– Expected dividend yields	3.87% – 5.33%	2.85% – 4.61%
– Risk-free rate	6.44 % – 7.58%	6.75 % – 7.31%

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 102.

For the year to 31 March R'million	Group		Company	
	2012	2011	2012	2011
6. Taxation				
Income statement taxation charge				
Taxation on income				
South Africa	208	120	331	122
– Current taxation	550	236	514	206
in respect of current year	550	397	514	367
in respect of prior year adjustments	–	(161)	–	(161)
– Deferred taxation	(342)	(116)	(183)	(84)
Foreign taxation – Mauritius	7	12	–	–
Total taxation charge as per income statement	215	132	331	122
Tax rate reconciliation:				
Profit before taxation as per income statement	2 173	2 414	1 930	2 090
Total taxation charge as per income statement	215	132	331	122
Effective rate of taxation	9.9%	5.5%	17.2%	5.8%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	13.5%	21.7%	15.5%	23.3%
– Foreign earnings*	2.2%	(2.1%)	–	–
– Prior year tax adjustments	–	6.7%	–	2.2%
– Other permanent differences	2.4%	(3.8%)	(4.7%)	(3.3%)
	28.0%	28.0%	28.0%	28.0%
Other comprehensive income taxation effects				
Cash flow hedge movements taken directly to other comprehensive income	(354)	82	(354)	82
– Pre-tax	(371)	114	(371)	114
– Income taxation effect	17	(32)	17	(32)
Gain on realisation of available-for-sale assets recycled through the income statement	(42)	–	(42)	–
– Pre-tax	(58)	–	(58)	–
– Income taxation effect	16	–	16	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	84	23	84	23
– Pre-tax	117	32	117	32
– Income taxation effect	(33)	(9)	(33)	(9)

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

For the year to 31 March R'million	Group		Company	
	2012	2011	2012	2011
7. Dividends				
Ordinary dividend				
Final dividend in prior year	680	580	680	580
Interim dividend for current year	679	493	679	493
Total dividend attributable to ordinary shareholders recognised in current financial year	1 359	1 073	1 359	1 073

	Group				Company			
	2012		2011		2012		2011	
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	341.61	53	392.05	61	341.61	53	392.05	61
Interim dividend for current year	338.42	51	373.87	59	338.42	51	373.87	59
Total dividend attributable to perpetual preference shareholders recognised in current financial year	680.03	104	765.92	120	680.03	104	765.92	120

The directors have declared a final dividend in respect of the financial year ended 31 March 2012 of 338.42 cents (2011: 341.61 cents) per perpetual preference share.

For the year to 31 March R'million	Group		Company	
	2012	2011	2012	2011
8. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	1 958	2 286	1 599	1 968
Preference dividends paid	(104)	(120)	(104)	(120)
Earnings attributable to ordinary shareholders	1 854	2 166	1 495	1 848
Headline adjustments, net of taxation*	(42)	25	(42)	–
Gain on realisation of available-for-sale financial assets*	(42)	–	(42)	–
Impairment of associate	–	25	–	–
Headline earnings attributable to ordinary shareholders	1 812	2 191	1 453	1 848

* *Amounts are net of taxation of R16.3 million (2011: Rnil) for both group and 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 impairments by category of financial instrument		
Group		
2012		
Net interest income	698	2 293
Fee and commission income	24	50
Fee and commission expense	(3)	–
Investment income	–	635
Trading income		
– Arising from customer flow	259	–
– Arising from balance sheet management and other trading activities	146	(44)
Other operating income/(loss)	–	–
Total operating income before impairment losses on loans and advances	1 124	2 934
Impairment losses on loans and advances	–	–
Operating income	1 124	2 934
2011		
Net interest income	844	2 057
Fee and commission income	212	31
Fee and commission expense	–	(1)
Investment income	–	1 187
Trading income		
– Arising from customer flow	209	–
– Arising from balance sheet management and other trading activities	(19)	256
Other operating income/(loss)	–	–
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

* *Included in income from instruments at fair value through profit or loss is funding costs of R1.196 billion (2011: R1.128 billion).*

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	998	11 056	374	(11 165)	–	15	4 269
	–	516	–	–	–	556	1 146
	–	(26)	–	(4)	–	(58)	(91)
	–	9	2	–	(57)	–	589
	–	–	–	–	–	–	259
	–	73	–	–	–	–	175
	–	2	–	–	8	–	10
	998	11 630	376	(11 169)	(49)	513	6 357
	–	(833)	–	–	–	–	(833)
	998	10 797	376	(11 169)	(49)	513	5 524
	215	11 215	121	(10 594)	–	12	3 870
	–	328	–	(6)	–	383	948
	–	(35)	–	–	–	(3)	(39)
	(9)	(30)	(1)	–	–	61	1 208
	–	–	–	–	–	–	209
	–	30	1	–	(15)	–	253
	–	1	–	–	(3)	–	(2)
	206	11 509	121	(10 600)	(18)	453	6 447
	–	(852)	–	–	–	–	(852)
	206	10 657	121	(10 600)	(18)	453	5 595

For the year to 31 March R'million	At fair value through profit or loss Trading	 Designated at inception
9. Analysis of income and impairments by category of financial instrument (continued)		
Company		
2012		
Net interest income	701	2 324
Fee and commission income	18	33
Fee and commission expense	(3)	–
Investment income	–	529
Trading income		
– Arising from customer flow	261	–
– Arising from balance sheet management and other trading activities	151	(44)
Other operating income/(loss)	–	–
Total operating income before impairment losses on loans and advances	1 128	2 842
Impairment losses on loans and advances	–	–
Operating income	1 128	2 842
2011		
Net interest income	798	2 137
Fee and commission income	212	16
Fee and commission expense	–	–
Investment income	–	1 147
Trading income		
– Arising from customer flow	214	–
– Arising from balance sheet management and other trading activities	100	151
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

* *Included in income from instruments at fair value through profit or loss is funding costs of R1.195 billion (2011: R1.128 billion).*

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	984	10 206	374	(10 727)	–	2	3 864
	–	489	–	–	–	560	1 100
	–	(24)	–	(3)	–	(55)	(85)
	–	(2)	–	–	(27)	–	500
	–	–	–	–	–	–	261
	–	72	–	–	–	–	179
	–	–	–	–	1	–	1
	984	10 741	374	(10 730)	(26)	507	5 820
	–	(762)	–	–	–	–	(762)
	984	9 979	374	(10 730)	(26)	507	5 058
	208	10 389	186	(10 346)	–	12	3 384
	–	297	–	(6)	–	386	905
	–	(31)	–	–	–	(3)	(34)
	–	(30)	–	–	22	62	1 201
	–	–	–	–	(5)	–	209
	–	30	–	–	(29)	–	252
	208	10 655	186	(10 352)	(12)	457	5 917
	–	(832)	–	–	–	–	(832)
	208	9 823	186	(10 352)	(12)	457	5 085

At 31 March R'million	At fair value through profit or loss	
	Trading	Designated at inception
10. Analysis of financial assets and liabilities by measurement basis		
Group		
2012		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	759
Non-sovereign and non-bank cash placements	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	–
Sovereign debt securities	–	23 106
Bank debt securities	13 131	149
Other debt securities	–	400
Derivative financial instruments*	10 595	–
Securities arising from trading activities	1 628	–
Investment portfolio	–	6 035
Loans and advances to customers	–	14 820
Own originated loans and advances to customers securitised	–	–
Other loans and advances	–	–
Other securitised assets	–	335
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	140	–
Property and equipment	–	–
Investment properties	–	–
Intangible assets	–	–
Loans to group companies	(40)	–
	30 552	45 604
Liabilities		
Deposits by banks	–	–
Derivative financial instruments*	8 570	–
Other trading liabilities	172	–
Repurchase agreements and cash collateral on securities lent	3 817	–
Customer accounts (deposits)	–	6 748
Debt securities in issue	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	492
Current taxation liabilities	–	–
Deferred taxation liabilities	–	–
Other liabilities	301	6
Subordinated liabilities	–	–
	12 860	7 246

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information refer to note 46.*

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	9 303	–	9 303	–	9 303
–	759	–	18 432	–	18 432	–	19 191
–	–	–	7 885	–	7 885	–	7 885
–	5 098	–	–	–	–	–	5 098
5 082	28 188	2 034	–	–	2 034	–	30 222
1 241	14 521	9 003	4 171	–	13 174	–	27 695
302	702	5 015	567	–	5 582	–	6 284
–	10 595	–	–	–	–	–	10 595
–	1 628	–	–	–	–	–	1 628
1	6 036	–	–	–	–	–	6 036
–	14 820	–	107 795	–	107 795	–	122 615
–	–	–	2 302	–	2 302	–	2 302
–	–	–	669	–	669	–	669
–	335	–	722	–	722	–	1 057
–	–	–	–	–	–	38	38
–	–	–	–	–	–	46	46
–	140	–	478	–	478	456	1 074
–	–	–	–	–	–	308	308
–	–	–	–	–	–	5	5
–	–	–	–	–	–	96	96
–	(40)	–	3 845	–	3 845	–	3 805
6 626	82 782	16 052	156 169	–	172 221	949	255 952

–	–	–	–	13 933	13 933	–	13 933
–	8 570	–	–	–	–	–	8 570
–	172	–	–	–	–	–	172
–	3 817	–	–	14 357	14 357	–	18 174
–	6 748	–	–	169 346	169 346	–	176 094
–	–	–	–	1 738	1 738	–	1 738
–	–	–	–	2 933	2 933	–	2 933
–	492	–	–	–	–	–	492
–	–	–	–	–	–	1 113	1 113
–	–	–	–	–	–	9	9
–	307	–	–	1 309	1 309	1 466	3 082
–	–	–	–	8 709	8 709	–	8 709
–	20 106	–	–	212 325	212 325	2 588	235 019

At 31 March R'million	At fair value through profit or loss Trading	 Designated at inception
10. Analysis of financial assets and liabilities by measurement basis (continued)		
Group		
2011		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	216
Non-sovereign and non-bank cash placements	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 524	1 631
Sovereign debt securities	–	26 377
Bank debt securities	10 872	–
Other debt securities	387	330
Derivative financial instruments*	11 487	–
Securities arising from trading activities	625	–
Investment portfolio	55	5 710
Loans and advances to customers	–	13 072
Own originated loans and advances to customers securitised	–	–
Other loans and advances	–	–
Other securitised assets	–	1 085
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	149	–
Property and equipment	–	–
Investment properties	–	–
Intangible assets	–	–
Loans to group companies	1 471	–
	31 570	48 421
Liabilities		
Deposits by banks	–	–
Derivative financial instruments*	10 495	–
Other trading liabilities	389	–
Repurchase agreements and cash collateral on securities lent	5 732	–
Customer accounts (deposits)	17	9 854
Debt securities in issue	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	1 087
Current taxation liabilities	–	–
Deferred taxation liabilities	–	–
Other liabilities	459	–
Subordinated liabilities	–	–
	17 092	10 941

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information refer to note 46.*

	Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
	–	–	–	6 813	–	6 813	–	6 813
	–	216	–	4 702	–	4 702	–	4 918
	–	–	–	5 829	–	5 829	–	5 829
	–	8 155	–	2	–	2	–	8 157
	2 741	29 118	–	–	–	–	–	29 118
	–	10 872	7 297	–	–	7 297	–	18 169
	–	717	4 171	–	–	4 171	–	4 888
	–	11 487	–	–	–	–	–	11 487
	–	625	–	–	–	–	–	625
	1	5 766	–	–	–	–	–	5 766
	–	13 072	–	101 367	–	101 367	–	114 439
	–	–	–	934	–	934	–	934
	–	–	–	784	–	784	–	784
	–	1 085	–	157	–	157	–	1 242
	–	–	–	–	–	–	135	135
	–	–	–	–	–	–	42	42
	–	149	–	383	–	383	449	981
	–	–	–	–	–	–	286	286
	–	–	–	–	–	–	5	5
	–	–	–	–	–	–	108	108
	–	1 471	–	5 365	–	5 365	–	6 836
	2 742	82 733	11 468	126 336	–	137 804	1 025	221 562
	–	–	–	–	10 956	10 956	–	10 956
	–	10 495	–	–	–	–	–	10 495
	–	389	–	–	–	–	–	389
	–	5 732	–	–	5 001	5 001	–	10 733
	–	9 871	–	–	144 901	144 901	–	154 772
	–	–	–	–	2 489	2 489	–	2 489
	–	–	–	–	931	931	–	931
	–	1 087	–	–	156	156	–	1 243
	–	–	–	–	–	–	1 024	1 024
	–	–	–	–	–	–	349	349
	–	459	–	–	681	681	1 338	2 478
	–	–	–	–	6 866	6 866	–	6 866
	–	28 033	–	–	171 981	171 981	2 711	202 725

At 31 March R'million	At fair value through profit or loss Trading	Designated at inception
10. Analysis of financial assets and liabilities by measurement basis (continued)		
Company		
2012		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	759
Non-sovereign and non-bank cash placements	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	–
Sovereign debt securities	–	23 106
Bank debt securities	13 132	149
Other debt securities	–	348
Derivative financial instruments*	10 387	–
Securities arising from trading activities	1 628	–
Investment portfolio	–	5 897
Loans and advances to customers	–	14 820
Own originated loans and advances to customers securitised	–	–
Other loans and advances	–	–
Other securitised assets	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	140	–
Property and equipment	–	–
Investment properties	–	–
Intangible assets	–	–
Loans to group companies	(40)	–
Investment in subsidiaries	–	–
	30 345	45 079
Liabilities		
Deposits by banks	–	–
Derivative financial instruments*	8 570	–
Other trading liabilities	172	–
Repurchase agreements and cash collateral on securities lent	3 817	–
Customer accounts (deposits)	–	6 748
Debt securities in issue	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	–
Current taxation liabilities	–	–
Deferred taxation liabilities	–	–
Other liabilities	301	–
Subordinated liabilities	–	–
	12 860	6 748

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information refer to note 46.*

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	9 274	–	9 274	–	9 274
–	759	–	16 746	–	16 746	–	17 505
–	–	–	7 885	–	7 885	–	7 885
–	5 098	–	–	–	–	–	5 098
5 082	28 188	2 034	–	–	2 034	–	30 222
1 241	14 522	8 041	4 171	–	12 212	–	26 734
302	650	5 015	–	–	5 015	–	5 665
–	10 387	–	–	–	–	–	10 387
–	1 628	–	–	–	–	–	1 628
–	5 897	–	–	–	–	–	5 897
–	14 820	–	99 677	–	99 677	–	114 497
–	–	–	913	–	913	–	913
–	–	–	669	–	669	–	669
–	–	–	410	–	410	–	410
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	140	–	432	–	432	203	775
–	–	–	–	–	–	296	296
–	–	–	–	–	–	1	1
–	–	–	–	–	–	94	94
–	(40)	–	5 273	–	5 273	–	5 233
–	–	–	–	–	–	3 882	3 882
6 625	82 049	15 090	145 450	–	160 540	4 476	247 065
–	–	–	–	13 776	13 776	–	13 776
–	8 570	–	–	–	–	–	8 570
–	172	–	–	–	–	–	172
–	3 817	–	–	14 357	14 357	–	18 174
–	6 748	–	–	166 291	166 291	–	173 039
–	–	–	–	901	901	–	901
–	–	–	–	913	913	–	913
–	–	–	–	–	–	–	–
–	–	–	–	–	–	1 120	1 120
–	–	–	–	–	–	3	3
–	301	–	–	1 200	1 200	1 392	2 893
–	–	–	–	8 709	8 709	–	8 709
–	19 608	–	–	206 147	206 147	2 515	228 270

At 31 March R'million	At fair value through profit or loss	
	Trading	Designated at inception
10. Analysis of financial assets and liabilities by measurement basis (continued)		
Company		
2011		
Assets		
Cash and balances at central banks	–	–
Loans and advances to banks	–	216
Non-sovereign and non-bank cash placements	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 524	1 631
Sovereign debt securities	–	26 376
Bank debt securities	10 872	–
Other debt securities	337	331
Derivative financial instruments*	11 230	–
Securities arising from trading activities	625	–
Investment portfolio	–	5 705
Loans and advances to customers	–	13 072
Own originated loans and advances to customers securitised	–	–
Other loans and advances	–	–
Other securitised assets	–	–
Interests in associated undertakings	–	–
Deferred taxation assets	–	–
Other assets	149	–
Property and equipment	–	–
Investment properties	–	–
Intangible assets	–	–
Loans to group companies	1 549	–
Investment in subsidiaries	–	–
	31 286	47 331
Liabilities		
Deposits by banks	–	–
Derivative financial instruments*	10 495	–
Other trading liabilities	389	–
Repurchase agreements and cash collateral on securities lent	5 732	–
Customer accounts (deposits)	17	9 854
Debt securities in issue	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	–
Current taxation liabilities	–	–
Deferred taxation liabilities	–	–
Other liabilities	459	–
Subordinated liabilities	–	–
	17 092	9 854

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information refer to note 46.*

Available-for-sale	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	–	–	6 768	–	6 768	–	6 768
–	216	–	3 805	–	3 805	–	4 021
–	–	–	5 829	–	5 829	–	5 829
–	8 155	–	2	–	2	–	8 157
2 741	29 117	–	–	–	–	–	29 117
–	10 872	7 297	–	–	7 297	–	18 169
–	668	4 092	–	–	4 092	–	4 760
–	11 230	–	–	–	–	–	11 230
–	625	–	–	–	–	–	625
–	5 705	–	–	–	–	–	5 705
–	13 072	–	94 772	–	94 772	–	107 844
–	–	–	905	–	905	–	905
–	–	–	784	–	784	–	784
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	15	15
–	149	–	364	–	364	271	784
–	–	–	–	–	–	281	281
–	–	–	–	–	–	1	1
–	–	–	–	–	–	106	106
–	1 549	–	6 792	–	6 792	–	8 341
–	–	–	–	–	–	1 007	1 007
2 741	81 358	11 389	120 021	–	131 410	1 681	214 449
–	–	–	–	10 273	10 273	–	10 273
–	10 495	–	–	–	–	–	10 495
–	389	–	–	–	–	–	389
–	5 732	–	–	5 001	5 001	–	10 733
–	9 871	–	–	142 479	142 479	–	152 350
–	–	–	–	1 563	1 563	–	1 563
–	–	–	–	905	905	–	905
–	–	–	–	–	–	–	–
–	–	–	–	–	–	1 024	1 024
–	–	–	–	–	–	201	201
–	459	–	–	590	590	1 317	2 366
–	–	–	–	6 866	6 866	–	6 866
–	26 946	–	–	167 677	167 677	2 542	197 165

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
2012				
Group				
Assets				
Loans and advances to banks	759	–	759	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	3 252	1 846	–
Sovereign debt securities	28 188	27 329	859	–
Bank debt securities	14 521	1 287	13 234	–
Other debt securities	702	302	348	52
Derivative financial instruments	10 595	1	10 683	(89)
Securities arising from trading activities	1 628	867	761	–
Investment portfolio	6 036	729	5 243	64
Loans and advances to customers	14 820	–	14 820	–
Other securitised assets	335	–	335	–
Other assets	140	140	–	–
Loans to group companies	(40)	–	(40)	–
	82 782	33 907	48 848	27
Liabilities				
Derivative financial instruments	8 570	5	8 565	–
Other trading liabilities	172	172	–	–
Repurchase agreements and cash collateral on securities lent	3 817	3 817	–	–
Customer accounts (deposits)	6 748	–	6 748	–
Liabilities arising on securitisation of other assets	492	–	492	–
Other liabilities	307	297	10	–
	20 106	4 291	15 815	–

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)				
2011				
Group				
Assets				
Loans and advances to banks	216	–	216	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 155	7 527	628	–
Sovereign debt securities	29 118	28 307	811	–
Bank debt securities	10 872	–	10 872	–
Other debt securities	717	262	399	56
Derivative financial instruments	11 487	–	11 470	17
Securities arising from trading activities	625	625	–	–
Investment portfolio	5 766	263	5 448	55
Loans and advances to customers	13 072	–	13 072	–
Other 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 of other assets	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)				
2012				
Company				
Assets				
Loans and advances to banks	759	–	759	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	3 252	1 846	–
Sovereign debt securities	28 188	27 329	859	–
Bank debt securities	14 522	1 287	13 235	–
Other debt securities	650	302	348	–
Derivative financial instruments	10 387	1	10 475	(89)
Securities arising from trading activities	1 628	867	761	–
Investment portfolio	5 897	725	5 119	53
Loans and advances to customers	14 820	–	14 820	–
Other assets	140	140	–	–
Loans to group companies	(40)	–	(40)	–
	82 049	33 903	48 182	(36)
Liabilities				
Derivative financial instruments	8 570	5	8 565	–
Other trading liabilities	172	172	–	–
Repurchase agreements and cash collateral on securities lent	3 817	3 817	–	–
Customer accounts (deposits)	6 748	–	6 748	–
Other liabilities	301	297	4	–
	19 608	4 291	15 317	–
2011				
Company				
Assets				
Loans and advances to banks	216	–	216	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 155	7 527	628	–
Sovereign debt securities	29 117	28 307	810	–
Bank debt securities	10 872	–	10 872	–
Other debt securities	668	262	406	–
Derivative financial instruments	11 230	–	11 213	17
Securities arising from trading activities	625	625	–	–
Investment portfolio	5 705	257	5 393	55
Loans and advances to customers	13 072	–	13 072	–
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

There were no transfers between level 1 and level 2.

At March R'million	Group		Company	
	2012	2011	2012	2011

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:

R'million	Group 2012	Group 2011	Company 2012	Company 2011
Group				
Net opening balance at the beginning of the year	69	135	14	131
Total gains or losses recognised in the current year	43	4	12	(9)
Purchases	6	18	–	18
Sales	(105)	(31)	(4)	(1)
Issues	(57)	–	(57)	–
Transfers out of level 3	–	(155)	–	(155)
Transfers into level 3	63	104	–	30
Foreign exchange adjustments	8	(6)	(1)	–
Net closing balance at the end of the year	27	69	(36)	14

The following table quantifies the gains and losses recognised on level 3 financial instruments:

R'million	Group 2012	Group 2011	Company 2012	Company 2011
Interest income	1	–	1	–
Fee and commission income	–	1	–	1
Investment income	28	12	(3)	(1)
Client flow trading income	14	(9)	14	(9)
	43	4	12	(9)

For the year ended 31 March 2012, instruments were transferred from level 2 to level 3 due to certain significant inputs to valuation models no longer being observable in the market.

For the year ended 31 March 2011, instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs, becoming available for valuation methodologies.

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.

	2012		2011	
	Reflected in income statement		Reflected in income statement	
At 31 March R'million	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Group				
Assets				
Other debt securities	3	2	7	10
Investment portfolio	27	52	55	17
Derivative financial instruments	119	6	16	5
Liabilities				
Other liabilities	–	–	6	3
Company				
Assets				
Investment portfolio	26	30	55	17
Derivative financial instruments	15	6	16	5
Liabilities				
Other liabilities	–	–	6	3

The above variations have been determined with reference to the key unobservable inputs which mainly relate to future cash flows and discount rates applied.

At 31 March R'million	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
12. Fair value of financial assets and liabilities held at amortised cost				
Group				
Financial assets				
Cash and balances at central banks	9 303	9 303	6 813	6 813
Loans and advances to banks	18 432	18 433	4 702	4 701
Non-sovereign and non-bank cash placements	7 885	7 885	5 829	5 829
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	2	2
Sovereign debt securities	2 034	2 077	–	–
Bank debt securities	13 174	12 952	7 297	7 087
Other debt securities	5 582	5 593	4 171	4 281
Loans and advances to customers	107 795	107 850	101 367	101 306
Own originated loans and advances to customers securitised	2 302	2 302	934	935
Other loans and advances	669	669	784	784
Other securitised assets	722	722	157	157
Other assets	478	522	383	384
Loans to group companies	3 845	3 845	5 365	5 366
	172 221	172 153	137 804	137 645
Financial liabilities				
Deposits by banks	13 933	13 993	10 956	10 963
Repurchase agreements and cash collateral on securities lent	14 357	14 534	5 001	5 002
Customer accounts (deposits)	169 346	169 780	144 901	144 907
Debt securities in issue	1 738	1 738	2 489	2 516
Liabilities arising on securitisation of own originated loans and advances	2 933	2 933	931	931
Liabilities arising on securitisation of other assets	–	–	156	156
Other liabilities	1 309	1 311	681	681
Subordinated liabilities	8 709	8 794	6 866	7 058
	212 325	213 083	171 981	172 214

At 31 March R'million	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
12. Fair value of financial assets and liabilities held at amortised cost (continued)				
Company				
Financial assets				
Cash and balances at central banks	9 274	9 274	6 768	6 813
Loans and advances to banks	16 746	16 747	3 805	4 701
Non-sovereign and non-bank cash placements	7 885	7 885	5 829	5 829
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	2	2
Sovereign debt securities	2 034	2 077	–	–
Bank debt securities	12 212	11 991	7 297	7 087
Other debt securities	5 015	5 026	4 092	4 203
Loans and advances to customers	99 677	99 678	94 772	94 704
Own originated loans and advances to customers securitised	913	913	905	905
Other loans and advances	669	669	784	790
Other securitised assets	410	410	–	–
Other assets	432	475	364	364
Loans to group companies	5 273	5 273	6 792	6 792
	160 540	160 418	131 410	132 190
Financial liabilities				
Deposits by banks	13 776	13 836	10 273	10 280
Repurchase agreements and cash collateral on securities lent	14 357	14 534	5 001	5 002
Customer accounts (deposits)	166 291	166 725	142 479	142 485
Debt securities in issue	901	901	1 563	1 590
Liabilities arising on securitisation of own originated loans and advances	913	913	905	905
Other liabilities	1 200	1 200	590	590
Subordinated liabilities	8 709	8 794	6 866	7 058
	206 147	206 903	167 677	167 910

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 2012	Group 2011	Company 2012	Company 2011
13. Cash and balances at central banks				
The country risk of cash and balances at central banks lies in the following geographies:				
South Africa	9 300	6 813	9 274	6 768
Other	3	–	–	–
Total	9 303	6 813	9 274	6 768

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
14. Loans and advances to banks				
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	5 313	1 118	5 310	1 097
United Kingdom	5 030	1 443	4 089	1 289
Europe (excluding UK)	8 413	2 328	7 991	1 609
Australia	209	18	91	17
United States of America	226	11	24	9
Total	19 191	4 918	17 505	4 021

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
15. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	3 252	7 527	3 252	7 527
Cash collateral on securities borrowed	1 846	630	1 846	630
	5 098	8 157	5 098	8 157
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the securities accepted under these terms as at 31 March 2012 amounts to R3.3 billion (2011: R7.5 billion).				
Liabilities				
Repurchase agreements	18 174	10 733	18 174	10 733
	18 174	10 733	18 174	10 733

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
16. Sovereign debt securities				
Bonds	7 116	2 906	7 116	2 905
Debentures	2 175	5 230	2 175	5 230
Liquid asset bills	20 931	20 982	20 931	20 982
	30 222	29 118	30 222	29 117
The country risk of the above assets lies in the following geography:				
Southern Africa	30 222	29 118	30 222	29117
Total	30 222	29 118	30 222	29 117

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
17. Bank debt securities				
Bonds	14 324	7 297	13 363	7 297
Floating rate notes	10 838	4 404	10 838	4 404
Liquid asset bills	239	–	239	–
Promissory notes	2 294	6 468	2 294	6 468
	27 695	18 169	26 734	18 169
The country risk of the above assets lies in the following geographies:				
South Africa	14 902	12 327	14 902	12 327
United Kingdom	8 100	2 083	7 668	2 083
Europe (excluding UK)	670	625	670	625
Australia	18	16	18	16
United States of America	4 005	3 118	3 476	3 118
Total	27 695	18 169	26 734	18 169

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
18. Other debt securities				
Bonds	3 140	1 898	2 598	1 898
Promissory notes	19	26	19	26
Other investments^	3 125	2 964	3 048	2 836
	6 284	4 888	5 665	4 760
The country risk of the above assets lies in the following geographies:				
South Africa	1 863	830	1 321	829
United Kingdom	4 088	3 965	4 042	3 931
Europe (excluding UK)	31	93	–	–
United States of America	302	–	302	–
Total	6 284	4 888	5 665	4 760

^ *Largely comprises investments relating to our securitisation and principal finance activities as discussed on page 56 and 57.*

19. 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 2012	Positive fair value 2012	Negative fair value 2012	Notional principal amounts 2011
Foreign exchange derivatives				
Forward foreign exchange contracts	12 520	267	251	13 054
Currency swaps	114 726	2 338	515	73 075
OTC options	3 989	49	86	1 813
Other foreign exchange contracts	6 249	13	10	4 451
OTC derivatives	137 484	2 667	862	92 393
Exchange traded futures	–	–	–	588
	137 484	2 667	862	92 981
Interest rate derivatives				
Caps and floors	8 325	34	34	2 850
Swaps	367 228	5 724	6 892	678 816
Forward rate agreements	23 642	249	165	1 185 706
OTC options	9 620	34	34	11 140
Other interest rate contracts	189	13	–	188
	409 004	6 054	7 125	1 878 700
Equity and stock index derivatives				
OTC options	15 825	1 281	472	9 944
Equity swaps and forwards	1	1	5	–
OTC derivatives	15 826	1 282	477	9 944
Exchange traded futures	18 706	1	–	7 092
Exchange traded options	77 481	2	–	23 827
Warrants	1 666	–	–	148
	113 679	1 285	477	41 011
Commodity derivatives				
OTC options	–	–	–	436
Commodity swaps and forwards	4 105	195	103	782
	4 105	195	103	1 218
Credit derivatives				
Credit swaps	664	8	3	1
Credit linked notes	–	–	–	87
	664	8	3	88
Embedded derivatives*	–	386	–	–
Derivatives per balance sheet	–	10 595	8 570	–

* *Mainly includes profit shares received as part of lending transactions.*

Group		Company					
Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
2011	2011	2012	2012	2012	2011	2011	2011
271	100	12 520	267	251	13 054	271	100
1 414	685	114 713	2 334	515	73 059	1 406	685
25	22	3 989	49	86	1 813	25	22
12	11	6 245	13	10	4 450	12	11
1 722	818	137 467	2 663	862	92 376	1 714	818
–	–	–	–	–	588	–	–
1 722	818	137 467	2 663	862	92 964	1 714	818
20	22	8 325	34	34	2 850	20	22
7 818	8 162	367 228	5 724	6 892	677 898	7 818	8 162
377	427	23 642	248	165	1 185 706	377	427
45	42	9 620	34	34	11 140	45	42
10	–	–	–	–	–	–	–
8 270	8 653	408 815	6 040	7 125	1 877 594	8 260	8 653
851	915	15 825	1 281	472	9 833	829	915
–	–	–	1	5	–	–	–
851	915	15 825	1 282	477	9 833	829	915
2	–	18 706	1	–	7 092	2	–
	–	77 481	2	–	23 827	–	–
	–	1 666	–	–	148	–	–
853	915	113 678	1 285	477	40 900	831	915
41	41	–	–	–	436	41	41
141	2	4 105	195	103	782	141	2
182	43	4 105	195	103	1 218	182	43
1	–	664	8	3	1	1	–
–	66	–	–	–	50	–	66
1	66	664	8	3	51	1	66
459	–	–	196	–	–	242	–
11 487	10 495	–	10 387	8 570	–	11 230	10 495

At 31 March R'million	Carrying value	Fair value adjustment		Maximum exposure to credit risk
		Year to date	Cumulative	
20. Designated at fair value: loans and receivables and financial liabilities				
Group				
Loans and receivables				
2012				
Loans and advances to banks	759	77	(86)	759
Bank debt securities	149	1	5	149
Other debt securities	77	(21)	(133)	77
Loans and advances to customers	14 820	(180)	850	14 820
	15 805	(123)	636	15 805
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

Year to date and cumulative fair value adjustments to loans and receivables attributable to credit risk were (R21.1 million) and (R133.6 million) respectively (2011: Rnil). Due to lack of observable credit spreads on the above we were 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
Group				
Financial liabilities				
2012				
Customer accounts (deposits)	6 748	6 508	59	240
Liabilities arising on securitisation of other assets	492	492	–	–
Other liabilities	6	6	–	–
	7 246	7 006	59	240
2011				
Customer accounts (deposits)	9 854	9 681	(186)	174
Liabilities arising on securitisation of other assets	1 087	1 087	–	–
	10 941	10 768	(186)	174

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 (2011: Rnil). Due to lack of observable credit spreads on the above we were not able to accurately identify the credit elements of the fair value adjustments.

At 31 March R'million	Carrying value	Fair value adjustment		Maximum exposure to credit risk
		Year to date	Cumulative	
20. Designated at fair value: loans and receivables and financial liabilities (continued)				
Company				
Loans and receivables				
2012				
Loans and advances to banks	759	77	(86)	759
Bank debt securities	149	1	5	149
Other debt securities	25	–	–	25
Loans and advances to customers	14 820	(180)	850	14 820
	15 753	(102)	769	15 753
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

Year to date and cumulative fair value adjustments to loans and receivables attributable to credit risk were Rnil (2011: Rnil). Due to lack of observable credit spreads on the above we were 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				
2012				
Customer accounts (deposits)	6 748	6 508	59	240
	6 748	6 508	59	240
2011				
Customer accounts (deposits)	9 854	9 681	(186)	174
	9 854	9 681	(186)	174

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 (2011: Rnil). Due to lack of observable credit spreads on the above we were not able to accurately identify the credit elements of the fair value adjustments.

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
21. Securities arising from trading activities				
Listed equities	110	63	110	63
Bonds	1 395	562	1 395	562
Floating rate notes	123	–	123	–
	1 628	625	1 628	625

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
22. Investment portfolio				
Listed equities	734	1 040	730	1 035
Unlisted equities	5 302	4 726	5 167	4 670
	6 036	5 766	5 897	5 705

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
23. Loans and advances to customers and other loans and advances				
Gross loans and advances to customers	123 920	115 894	115 679	109 211
Impairments of loans and advances to customers	(1 305)	(1 455)	(1 182)	(1 367)
Net loans and advances to customers	122 615	114 439	114 497	107 844
Gross other loans and advances	680	784	680	784
Impairments of other loans and advances	(11)	–	(11)	–
Net other loans and advances	669	784	669	784

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
23. Loans and advances to customers and other loans and advances (continued)				
For further analysis on loans and advances refer to pages 30 to 53 in the risk management section.				
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments				
Loans and advances to customers				
Specific impairment				
Balance at beginning of year	1 137	538	1 083	462
Charge to the income statement	938	624	883	645
Recoveries	27	–	23	–
Utilised	(1 009)	(25)	(958)	(24)
Exchange adjustment	8	–	–	–
Balance at end of year	1 101	1 137	1 031	1 083
Portfolio impairment				
Balance at beginning of year	318	320	284	287
Charge to the income statement	(116)	–	(133)	(3)
Exchange adjustment	2	(2)	–	–
Balance at end of year	204	318	151	284
Other loans and advances				
Specific impairment				
Balance at beginning of year	–	–	–	–
Charge to the income statement	11	–	11	–
Balance at end of year	11	–	11	–
Total specific impairments	1 112	1 137	1 042	1 083
Total portfolio impairments	204	318	151	284
Total impairments	1 316	1 455	1 193	1 367
Reconciliation of income statement charge:				
Loans and advances to customers	822	624	750	642
Specific impairment charged to income statement	938	624	883	645
Portfolio impairment charged to income statement	(116)	–	(133)	(3)
Securitised assets (refer to note 24)	–	(5)	1	(2)
Specific impairment charged to income statement	–	(5)	1	(3)
Portfolio impairment charged to income statement	–	–	–	1
Other loans and advances	11	–	11	–
Specific impairment charged to income statement	11	–	11	–
Portfolio impairment charged to income statement	–	–	–	–
Bad debts written off directly to the income statement	–	233	–	192
Total income statement charge	833	852	762	832

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
24. Securitised assets and liabilities arising on securitisation				
Gross own originated loans and advances to customers securitised	2 305	938	916	907
Impairments of own originated loans and advances to customers securitised	(3)	(4)	(3)	(2)
Net own originated loans and advances to customers securitised	2 302	934	913	905
Other securitised assets are made up of the following categories of assets:				
Other securitised assets				
Cash and cash equivalents	483	156	–	–
Loans and advances to customers	158	–	–	–
Other debt securities	416	1 086	410	–
Total other securitised assets	1 057	1 242	410	–
The associated liabilities are recorded on the balance sheet in the following line items:				
Liabilities arising on securitisation of own originated loans and advances	2 933	931	913	905
Liabilities arising on securitisation of other assets	492	1 243	–	–
Specific and portfolio impairments				
The impairments below relate only to own originated loans and advances to customers securitised.				
Specific impairment				
Balance at beginning of year	2	49	1	4
Charge to the income statement	–	(5)	1	(3)
Utilised	(1)	–	–	–
Disposals	–	(42)	–	–
Balance at end of year	1	2	2	1
Portfolio impairment				
Balance at beginning of year	2	2	1	–
Charge to the income statement	–	–	–	1
Balance at end of year	2	2	1	1
Total impairments	3	4	3	2

At 31 March R'million	Group	
	2012	2011
25. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	38	135
Investment in associated undertaking	38	135
Analysis of the movement in our share of net assets:		
At the beginning of the year	135	180
Acquisitions	–	7
Impairment	–	(25)
Loans to associate	–	(10)
Share of associate losses	(1)	(17)
Exchange differences	5	–
Disposal of associate	(101)	–
Share of net asset value at the end of the year	38	135
Associated undertakings:		
Unlisted	38	135
	38	135
The group's holding in Dolphin Coast Marina Estate Limited is 34.54% (2011: 34.54%).		
The directors' valuation of the investment in associate approximates its carrying value.		
Summarised financial information at 31 March		
Dolphin Coast Marina Estate Limited		
Total assets	184	50
Total liabilities	81	13
Total revenue for the period	31	3
Total (loss)/profit before taxation for the period	(3)	2

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
26. Deferred taxation				
Deferred taxation asset	46	42	–	15
Deferred taxation liability	(9)	(349)	(3)	(201)
Net deferred taxation asset/(liability)	37	(307)	(3)	(186)
The net deferred taxation asset/(liability) consists of:				
Income and expenditure accruals	647	599	620	720
Unrealised fair value adjustments on financial instruments	(612)	(906)	(623)	(906)
Tax relief from assessed losses brought forward	2	–	–	–
	37	(307)	(3)	(186)
Reconciliation of net deferred taxation asset/(liability):				
Opening balance	(307)	(422)	(186)	(270)
Charge to the income statement	342	116	183	84
Foreign exchange adjustments	2	(1)	–	–
Closing balance	37	(307)	(3)	(186)

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

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
27. Other assets				
Settlement debtors	52	59	52	59
Dealing properties	384	297	153	120
Accruals and prepayments	193	156	173	138
Trading initial margins	140	148	140	148
Other debtors	305	321	257	319
	1 074	981	775	784

At 31 March R'million	Leasehold improvements	Furniture and vehicles	Equipment	Total
28. Property and equipment				
Group				
2012				
Cost				
At beginning of year	19	135	466	620
Additions	2	10	100	112
Disposals	–	(6)	(1)	(7)
At end of year	21	139	565	725
Accumulated depreciation and impairment				
At beginning of year	(17)	(78)	(239)	(334)
Disposals	–	3	4	7
Depreciation	(2)	(5)	(83)	(90)
At end of year	(19)	(80)	(318)	(417)
Net carrying value	2	59	247	308
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

At 31 March R'million	Leasehold improvements	Furniture and vehicles	Equipment	Total
28. Property and equipment (continued)				
Company				
2012				
Cost				
At beginning of year	19	127	468	614
Additions	2	7	95	104
Disposals	–	(6)	(1)	(7)
At end of year	21	128	562	711
Accumulated depreciation and impairment				
At beginning of year	(17)	(83)	(233)	(333)
Disposals	–	2	2	4
Depreciation	(2)	(4)	(80)	(86)
At end of year	(19)	(85)	(311)	(415)
Net carrying value	2	43	251	296
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

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
29. Investment properties				
Fair value at the beginning and the end of the year	5	5	1	1

At 31 March R'million	Group Acquired software	Group Internally generated software	Group Total	Company Acquired software	Company Internally generated software	Company Total
30. Intangible assets						
2012						
Cost or valuation						
At beginning of year	328	63	391	326	62	388
Additions	24	15	39	24	15	39
Disposals	(5)	–	(5)	(5)	–	(5)
At end of year	347	78	425	345	77	422
Accumulated amortisation and impairments						
At beginning of year	(245)	(38)	(283)	(243)	(39)	(282)
Amortisation	(12)	(34)	(46)	(11)	(35)	(46)
At end of year	(257)	(72)	(329)	(254)	(74)	(328)
Net carrying value	90	6	96	91	3	94
2011						
Cost or valuation						
At beginning of year	294	53	347	292	51	343
Additions	46	12	58	46	13	59
Disposals	(12)	(2)	(14)	(12)	(2)	(14)
At end of year	328	63	391	326	62	388
Accumulated amortisation and impairments						
At beginning of year	(215)	(36)	(251)	(214)	(37)	(251)
Disposals	2	2	4	2	2	4
Amortisation	(32)	(4)	(36)	(31)	(4)	(35)
At end of year	(245)	(38)	(283)	(243)	(39)	(282)
Net carrying value	83	25	108	83	23	106

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
31. Loans to group companies				
Loans to/(from) holding company – Investec Limited	238	(599)	238	(599)
Loans to fellow subsidiaries	3 178	3 764	3 280	5 585
Preference share investment in Investec Limited	400	400	–	–
Preference share investment in fellow subsidiaries	97	1 800	1 810	1 848
Intergroup derivative instruments	(108)	1 471	(95)	1 507
	3 805	6 836	5 233	8 341

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 R1.6 million (2011: R53 million).

At 31 March R'million	Nature of business	Issued ordinary capital	% holding	Shares at book value R'million		Net indebtedness R'million	
				2012	2011	2012	2011
32. Investment in subsidiaries							
Direct subsidiaries of Investec Bank Limited							
Investec Bank (Mauritius) Limited^	Banking institution	$56 478 463	100.0%	535	535	3 452	402
Reichmans Holdings Limited	Trade and asset financing	R15	100.0%	112	112	1 519	1 203
Sechold Finance Services (Pty) Limited	Investment holding	R1 000	100.0%	*	*	(666)	182
KWJ Investments (Pty) Limited	Investment holding	R100	100.0%	*	*	4	(41)
AEL Investment Holdings (Pty) Limited	Investment holding	R1 000	100.0%	*	*	(1 321)	(1 116)
Investpref Limited	Investment holding	R1 000	100.0%	*	*	(7)	(491)
Grayston Conduit 1 (Pty) Limited	Securitised vehicle	R1	∂	*	*	32	26
Copperleaf Country Estate (Pty) Limited	Leisure activities	R100	100.0%	*	*	284	199
Other				*	*	(62)	(4)
				647	647	3 235	360

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

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

∂ *Investec Bank Limited had no equity interest in the following special purpose vehicle, but it is consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entity.*

^ *Mauritius.*

* *Less than R1 million.*

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
33. Other trading liabilities				
Short positions – gilts	172	389	172	389
	172	389	172	389

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
34. Debt securities in issue				
Repayable in:				
Not more than three months	533	882	513	832
Over three months but not more than one year	518	644	388	444
Over one year but not more than five years	87	523	–	287
Greater than five years	600	440	–	–
	1 738	2 489	901	1 563

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
35. Current taxation				
Income taxation payable	1 113	1 013	1 120	1 012
Indirect taxes payable	–	11	–	12
	1 113	1 024	1 120	1 024

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
36. Other liabilities				
Settlement liabilities	350	426	313	400
Dividends payable	14	15	2	2
Other non-interest bearing liabilities	790	387	756	368
Other creditors and accruals	1 928	1 650	1 822	1 596
	3 082	2 478	2 893	2 366

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
37. Subordinated liabilities				
Issued by Investec Bank Limited				
IV01 16% subordinated unsecured bonds	–	180	–	180
IV03 16% subordinated unsecured callable 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	50	50
IV014 10.545% subordinated unsecured callable bonds	125	125	125	125
IV015 variable rate subordinated unsecured callable bonds	1 350	1 350	1 350	1 350
IV016 variable rate subordinated unsecured callable bonds	325	–	325	–
IV017 indexed rate subordinated unsecured callable bonds	1 698	–	1 698	–
	8 709	6 866	8 709	6 866
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	1 508	180	1 508	180
In more than one year, but not more than two years	3 403	3 003	3 403	3 003
In more than two years, but not more than five years	2 448	825	2 448	825
In more than five years	1 350	2 858	1 350	2 858
	8 709	6 866	8 709	6 866

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.

37. Subordinated liabilities (continued)

IV01 16% subordinated unsecured bonds

Rnil (2011: R180 million) Investec Bank Limited locally registered unsecured subordinated bonds were due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16.00% per annum. The bonds matured at 31 March 2012 and were settled on 2 April 2012.

IV03 16% subordinated unsecured callable bonds

R1 508 million (2011: R1 508 million) Investec Bank Limited locally registered unsecured subordinated bonds are 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 three-month JIBAR plus 2.00% until called/maturity. The bonds have subsequently been called and settled on 2 April 2012.

IV04 10.75% subordinated unsecured callable bonds

R2 062 million (2011: R2 062 million) Investec Bank Limited locally registered unsecured subordinated bonds are 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 three-month JIBAR plus 2.00% payable quarterly in arrears until called/maturity.

IV07 variable rate subordinated unsecured callable bonds

R941 million (2011: R941 million) Investec Bank Limited locally registered unsecured subordinated callable bonds are due in 2018. Interest is payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December at a rate equal to three-month JIBAR plus 1.40% until 31 March 2013. From and including 31 March 2013, up to and excluding 31 March 2018, interest is paid at a rate equal to three-month JIBAR plus 2.00%. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013.

IV08 13.735% subordinated unsecured callable bonds

R200 million (2011: 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 pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable bonds

R200 million (2011: 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 3.75% 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 5.625% above JIBAR payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million (2011: R250 million) Investec Bank Limited IV012 locally registered unsecured subordinated callable bonds are due in November 2019. Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to three-month JIBAR plus 3.25% until 26 November 2014. From and including 26 November 2014, up to and excluding 26 November 2019, interest is paid at a rate equal to three-month JIBAR plus 4.50%. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014.

IV013 variable rate subordinated unsecured callable bonds

R50 million (2011: R50 million) Investec Bank Limited IV013 locally 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 three-month JIBAR plus 2.75% 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 three-month JIBAR plus 5.50%. 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 (2011: R125 million) Investec Bank Limited IV014 locally 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 three-month JIBAR plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

37. Subordinated liabilities (continued)

IV015 variable rate subordinated unsecured callable bonds

R1 350 million (2011: R1 350 million) Investec Bank Limited IV015 locally 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 three-month JIBAR plus 2.65% 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 three-month JIBAR plus 4.00%. The maturity date is 22 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017.

IV016 variable rate subordinated unsecured callable bonds

R325 million (2011: Rnil) Investec Bank Limited IV016 locally registered unsecured subordinated callable bonds are due in December 2021. Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to three-month JIBAR plus 2.75% until 31 December 2021. The maturity date is 31 December 2021, but the company has the option to call the bonds upon regulatory capital disqualification or from 6 December 2016.

IV017 indexed rate subordinated unsecured callable bonds

R1 698 million (2011: Rnil) Investec Bank Limited IV017 locally registered unsecured subordinated callable bonds are due in January 2022. Interest is payable semi-annually on 31 January and 31 July at a rate of 2.75% and is inflation-linked. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
38. Ordinary share capital				
Authorised				
105 000 000 (2011: 105 000 000) ordinary shares of 50 cents each				
Issued				
58 766 956 (2011: 53 377 417) ordinary shares of 50 cents each	29	27	29	27

At 31 March R'million	Group		Company	
	2012	2011	2012	2011
39. Perpetual preference shares				
Authorised				
70 000 000 (2011: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
15 447 630 (2011: 15 447 630) 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	1 534	1 534	1 534
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	1 534	1 534	1 534	1 534

* *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 40.

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 R'million	Group		Company	
	2012	2011	2012	2011
40. Share premium				
Share premium on ordinary shares	12 008	10 326	12 008	10 326
Share premium on perpetual preference shares	1 534	1 534	1 534	1 534
Share issue expenses written off	(15)	(15)	(15)	(15)
	13 527	11 845	13 527	11 845

At 31 March R'million	Group			
	2012		2011	
	Total future minimum payments	Present value	Total future minimum payments	Present value
41. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than 1 year	400	322	363	292
1 – 5 years	454	396	403	353
	854	718	766	645

Unearned finance income amounted to R136 million (2011: R120 million). There are no finance lease receivables in the company.

At 31 March 2012 and 31 March 2011, there were no unguaranteed residual values.

For the year to 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
42. Notes to cash flow statement				
Operating profit adjusted for non-cash items is derived as follows:				
Profit before taxation	2 173	2 414	1 930	2 090
Adjustments for non-cash items:				
Gain on realisation of dealing properties	(1)	(14)	(1)	–
Gain on realisation of available-for-sale assets recycled through the income statement	(42)	–	(42)	–
Depreciation, amortisation and impairment of property, equipment and intangibles	136	95	132	92
Impairment losses on loans and advances	833	852	762	832
Operating loss from associates	1	17	–	–
Impairment of associate	–	25	–	–
Operating profit adjusted for non-cash items	3 100	3 389	2 781	3 014
Operating assets				
Loans and advances to banks	(8 274)	9 613	(8 878)	7 738
Reverse repurchase agreements and cash collateral on securities borrowed	3 059	(4 381)	3 059	(4 381)
Sovereign debt securities	(1 053)	(10 447)	(1 054)	(10 437)
Bank debt securities	(9 465)	(4 862)	(8 539)	(4 857)
Other debt securities	(1 374)	(2 884)	(898)	(2 001)
Derivative financial instruments	624	(3 597)	489	(3 663)
Securities arising from trading activities	(1 003)	(1)	(1 003)	(1)
Investment portfolio	(259)	(385)	(192)	(509)
Loans and advances to customers	(8 466)	(4 689)	(7 382)	(4 468)
Own originated loans and advances to customers securitised	(1 368)	435	(8)	(53)
Other loans and advances	115	233	115	323
Other securitised assets	185	920	(410)	–
Other assets	(91)	(57)	9	64
Loans to group companies	2 859	(689)	3 078	(282)
Increase in operating assets	(24 511)	(20 791)	(21 614)	(22 527)
Operating liabilities				
Deposits by banks	2 924	1 444	3 503	1 446
Derivative financial instruments	(1 979)	3 351	(1 925)	3 350
Other trading liabilities	(217)	(65)	(217)	(65)
Repurchase agreements and cash collateral on securities lent	7 441	4 452	7 441	4 452
Customer accounts (deposits)	20 969	11 593	20 689	12 425
Debt securities in issue	(751)	(269)	(662)	4
Liabilities arising on securitisation of own originated loans and advances	2 002	(556)	8	53
Liabilities arising on securitisation of other assets	(751)	23	–	–
Other liabilities	596	1	528	47
Increase in operating liabilities	30 234	19 974	29 365	21 712

At 31 March R'million	Group 2012	Group 2011	Company 2012	Company 2011
43. Commitments				
Undrawn facilities	26 168	21 977	25 039	21 481
Other commitments	522	2 040	514	2 502
	26 690	24 017	25 553	23 983
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	294	287	294	287
1 – 5 years	1 252	1 224	1 252	1 224
Later than 5 years	2 368	2 683	2 368	2 683
	3 914	4 194	3 914	4 194

At 31 March 2012, 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 2012	Group 2011	Company 2012	Company 2011
44. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
– Guarantees and irrevocable letters of credit	9 894	9 630	10 305	10 265
	9 894	9 630	10 305	10 265

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.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which investec is a party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

For the year to 31 March R'million	Group and Company 2012	 2011
45. Related party transactions		
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	37	61
Share-based payments	13	26
	50	87
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 the beginning of the year	117	130
Increase in loans	330	52
Repayment of loans	(143)	(63)
Exchange adjustment	25	(2)
At the end of the year	329	117
Deposits		
At the beginning of the year	(476)	(317)
Increase in deposits	(126)	(288)
Repayment of deposits	272	123
Exchange adjustment	(52)	6
At the end of the year	(382)	(476)
Guarantees		
At the beginning of the year	–	–
Additional guarantees granted	5	–
At the end of the year	5	–

* *Key management personnel are board directors and members of the global operations forum.*

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.

For the year to 31 March R'million	Group		Company	
	2012	2011	2012	2011

45. Related party transactions (continued)

Transactions with other related parties				
Various members of key management personnel have shareholdings in other companies. At 31 March 2012, Investec Bank Limited group had the following loans outstanding from these related parties	3	22	–	–

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 95 to 105 in the directors' remuneration report relating to remuneration for key management personnel.

Refer to note 31 for loans to group companies and note 32 for loans to/(from) subsidiary companies.

At 31 March R'million	2012	2011
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	183	519
Loans and advances to customers	–	119
Other debt securities	3 514	3 414
Interest in associated companies	–	90
Derivative financial instruments	119	84
Other assets	203	–
Liabilities		
Deposits from banks	73	128
Customer accounts (deposits)	28	10
Repurchase agreements and cash collateral on securities lent	7 818	796
Derivative financial instruments	7	38
Other liabilities	164	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 2012, interest of R132.7 million (2011: R103.8 million) was received from entities in the Investec plc group. Interest of R27.3 million (2011: R13.4 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 2012, this resulted in a net payment by Investec plc group of R106.6 million (2011: R75.9 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of Rnil (2011: R10 million).

46. 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, Treasury, 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 dependent 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 were entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2012						
Interest rate swaps	Bonds	172	(38)	(38)	61	37
2011						
Interest rate swaps	Subordinated bonds	19	(30)	(5)	19	3

As at year end the hedges were both retrospectively and prospectively effective.

Cash flow hedges

The group is exposed to variability in cash flows 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 affects 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 affect income statement	Ineffective portion recognised in the income statement
2012				
Cross currency swap	Fixed rate bonds	636	3 months to 5 years	–
2011				
Cross currency swap	Foreign currency bonds	356	3 months to 5 years	–

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	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows							
Group							
2012							
Liabilities							
Deposits by banks	3 364	930	131	21	9 487	–	13 933
Derivative financial instruments	8 544	–	–	–	–	26	8 570
– Held-for-trading	8 544	–	–	–	–	–	8 544
– Held as hedges	–	–	–	–	–	26	26
Repurchase agreements and cash collateral on securities lent	7 686	–	–	–	3 803	6 686	18 175
Customer accounts (deposits)	79 137	41 184	17 955	18 521	18 533	764	176 094
Debt securities in issue	513	20	130	388	87	600	1 738
Liabilities arising on securitisation of own originated loans and advances	2	925	15	59	3 741	17	4 759
Liabilities arising on securitisation of other assets	157	335	–	–	–	–	492
Other liabilities including other trading liabilities	2 170	636	79	54	89	581	3 609
	101 573	44 030	18 310	19 043	35 740	8 674	227 370
Subordinated liabilities	1 508	–	–	–	5 851	1 350	8 709
Total on-balance sheet liabilities	103 081	44 030	18 310	19 043	41 591	10 024	236 079
Commitments	721	161	269	3 382	10 391	15 680	30 604
Contingent liabilities	1 657	221	127	469	4 225	3 195	9 894
Total liabilities	105 459	44 412	18 706	22 894	56 207	28 899	276 577

The balances in the tables in this note will not agree directly to the balances in the consolidated balance sheet as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'demand' time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an analysis based on discounted cash flows, please refer to page 69.

At 31 March R'million	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)							
Group							
2011							
Liabilities							
Deposits by banks	2 350	930	912	6 535	229	–	10 956
Derivative financial instruments	10 376	9	14	15	81	–	10 495
– Held-for-trading	10 342	–	–	–	–	–	10 342
– Held as hedges	34	9	14	15	81	–	153
Repurchase agreements and cash collateral on securities lent	10 946	–	–	–	–	–	10 946
Customer accounts (deposits)	68 965	35 122	15 351	17 849	16 146	1 339	154 772
Debt securities in issue	644	239	200	444	523	440	2 490
Liabilities arising on securitisation of own originated loans and advances	–	56	5	35	834	–	930
Liabilities arising on securitisation of other assets	134	1 109	–	–	–	–	1 243
Other liabilities including other trading liabilities	1 328	296	422	81	262	494	2 883
	94 743	37 761	16 904	24 959	18 075	2 273	194 715
Subordinated liabilities	–	–	–	180	3 828	2 858	6 866
Total on-balance sheet liabilities	94 743	37 761	16 904	25 139	21 903	5 131	201 581
Commitments	694	148	300	2 848	11 663	12 558	28 211
Contingent liabilities	1 118	11	97	1 216	5 169	2 694	10 305
Total liabilities	96 555	37 920	17 301	29 203	38 735	20 383	240 097

At 31 March R'million	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)							
Company							
2012							
Liabilities							
Deposits by banks	3 208	930	131	20	9 487	–	13 776
Derivative financial instruments	8 544	–	–	–	–	26	8 570
– Held-for-trading	8 544	–	–	–	–	–	8 544
– Held as hedges	–	–	–	–	–	26	26
Repurchase agreements and cash collateral on securities lent	7 686	–	–	–	3 803	6 686	18 175
Customer accounts (deposits)	77 049	40 788	17 863	18 326	18 250	764	173 040
Debt securities in issue	513	–	–	388	–	–	901
Liabilities arising on securitisation of own originated loans and advances	1	4	8	30	870	–	913
Other liabilities including other trading liabilities	2 053	596	41	50	56	581	3 377
	99 054	42 318	18 043	18 814	32 466	8 057	218 752
Subordinated liabilities	1 508	–	–	–	5 851	1 350	8 709
Total on-balance sheet liabilities	100 562	42 318	18 043	18 814	38 317	9 407	227 461
Commitments	721	161	269	2 245	10 391	15 680	29 467
Contingent liabilities	1 657	221	127	880	4 225	3 195	10 305
Total liabilities	102 940	42 700	18 439	21 939	52 933	28 282	267 233

At 31 March R'million	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)							
Company							
2011							
Liabilities							
Deposits by banks	2 209	930	370	6 535	229	–	10 273
Derivative financial instruments	10 376	9	14	15	81	–	10 495
– Held-for-trading	10 342	–	–	–	–	–	10 342
– Held as hedges	34	9	14	15	81	–	153
Repurchase agreements and cash collateral on securities lent	10 946	–	–	–	–	–	10 946
Customer accounts (deposits)	66 847	35 082	15 332	17 641	16 109	1 339	152 350
Debt securities in issue	594	239	–	444	287	–	1 564
Liabilities arising on securitisation of own originated loans and advances	2	3	5	35	860	–	905
Other liabilities including other trading liabilities	1 289	265	379	72	262	494	2 761
	92 263	36 528	16 100	24 742	17 828	1 833	189 294
Subordinated liabilities	–	–	–	180	3 828	2 858	6 866
Total on-balance sheet liabilities	92 263	36 528	16 100	24 922	21 656	4 691	196 160
Commitments	694	148	300	2 814	11 663	12 558	28 177
Contingent liabilities	1 118	11	97	1 176	5 169	2 694	10 265
Total liabilities	94 075	36 687	16 497	28 912	38 488	19 943	234 602

48. Reclassifications

Consolidated income statements

The previously reported principal transaction income line item has been split into the following line items:

- **Investment income:** income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation
- **Client flow trading income:** income from trading activities arising from making and facilitating client activities
- **Income from balance sheet management and other trading activities:** includes proprietary trading income and other gains and losses as well as income earned from the balance sheet management desk.

For the year to 31 March 2011 R'million	New format	As previously reported	Reclassifi-cations
Group			
Interest income	14 932	14 932	–
Interest expense	(11 062)	(11 062)	–
Net interest income	3 870	3 870	–
Fee and commission income	948	948	–
Fee and commission expense	(39)	(39)	–
Principal transactions	–	1 670	(1 670)
Investment income	1 208	–	1 208
Trading income			
– Arising from customer flow	209	–	209
– Arising from balance sheet management and other trading activities	253	–	253
Operating loss from associates	–	(17)	17
Other operating income/(loss)	(2)	15	(17)
Total operating income before impairment losses on loans and advances	6 447	6 447	–
Company			
Interest income	13 954	13 954	–
Interest expense	(10 570)	(10 570)	–
Net interest income	3 384	3 384	–
Fee and commission income	905	905	–
Fee and commission expense	(34)	(34)	–
Principal transactions	–	1 662	(1 662)
Investment income	1 201	–	1 201
Trading income			
– Arising from customer flow	209	–	209
– Arising from balance sheet management and other trading activities	252	–	252
Total operating income before impairment losses on loans and advances	5 917	5 917	–

Consolidated balance sheets

The main driver behind the revision to the balance sheet is to enable a better understanding of Investec's exposures and to minimise reconciliation points to the detailed risk disclosures in the annual report. It is noted that there are no measurement changes nor are there any changes to total assets, liabilities and equity and cash flow statement.

Each category of reclassification is noted below:

- Cash equivalent corporate paper

  Cash equivalent advances to customers has been renamed to 'non-sovereign and non-bank cash placements'. These balances represent short-term placements in corporates that run an in-house treasury function.

48. Reclassifications (continued)

Consolidated balance sheets (continued)

- Loans and securitisation

  To better align the balance sheet with the bank's risk management disclosures, loans and advances and securitised assets that form part of our 'core' lending activities have been separated from assets that are in warehoused facilities and structured credit investments arising out of our securitisation and principal finance activities. This has resulted in a need to split loans and advances and securitised assets into two balance sheet categories for each. Securitised liabilities has been split into two line items to enable the relationship with securitised assets to be clearly identified.

- Securities reclassification

  The bank's previous balance sheet split securities (other than lending-related) into two key line items being trading and investment securities. This classification was driven by the accounting rule sets that mainly distinguish between instruments fair valued through profit or loss, those carried at amortised cost (held to maturity) and those fair valued through equity (available-for-sale). The bank is of the view that disclosure of the nature of exposures on the balance sheet, distinguishing between instruments held to manage balance sheet liquidity, as principal exposure and balance sheet instruments arising from trading desk activities provides more meaningful disclosure on the face of the balance sheet. The line item 'Securities arising from trading activities' includes all instruments (other than derivative instruments) that are held on balance sheet in relation to trading activities.

At 31 March R'million	New format	As previously reported	Total reclassifi-cations	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassifi-cation
2011						
Group						
Total assets reclassified						
Cash equivalent advances to customers	–	5 829	(5 829)	(5 829)	–	–
Non-sovereign and non-bank cash placements	5 829	–	5 829	5 829	–	–
Sovereign debt securities	29 118	–	29 118	–	–	29 118
Bank debt securities	18 169	–	18 169	–	–	18 169
Other debt securities	4 888	–	4 888	–	–	4 888
Trading securities	–	44 352	(44 352)	–	–	(44 352)
Securities arising from trading activities	625	–	625	–	–	625
Investment portfolio	5 766	–	5 766	–	–	5 766
Investment securities	–	14 214	(14 214)	–	–	(14 214)
Loans and advances to customers	114 439	115 223	(784)	–	(784)	–
Securitised assets	–	2 176	(2 176)	–	(2 176)	–
Own originated loans and advances to customers securitised	934	–	934	–	934	–
Other loans and advances	784	–	784	–	784	–
Other securitised assets	1 242	–	1 242	–	1 242	–
	181 794	181 794	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	2 174	(2 174)	–	(2 174)	–
Liabilities arising on securitisation of own originated loans and advances	931	–	931	–	931	–
Liabilities arising on securitisation of other assets	1 243	–	1 243	–	1 243	–
	2 174	2 174	–	–	–	–

At 31 March R'million	New format	As previously reported	Total reclassifi-cations	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassifi-cation
48. Reclassifications (continued)						
2010						
Group						
Total assets reclassified						
Cash equivalent advances to customers	–	6 455	(6 455)	(6 455)	–	–
Non-sovereign and non-bank cash placements	6 455	–	6 455	6 455	–	–
Sovereign debt securities	18 668	–	18 668	–	–	18 668
Bank debt securities	13 305	–	13 305	–	–	13 305
Other debt securities	2 003	–	2 003	–	–	2 003
Trading securities	–	36 375	(36 375)	–	–	(36 375)
Securities arising from trading activities	624	–	624	–	–	624
Investment portfolio	5 380	–	5 380	–	–	5 380
Investment securities	–	3 605	(3 605)	–	–	(3 605)
Loans and advances to customers	110 894	111 919	(1 025)	–	(1 025)	–
Securitised assets	–	3 531	(3 531)	–	(3 531)	–
Own originated loans and advances to customers securitised	1 369	–	1 369	–	1 369	–
Other loans and advances	1 025	–	1 025	–	1 025	–
Other securitised assets	2 162	–	2 162	–	2 162	–
	161 885	161 885	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	2 707	(2 707)	–	(2 707)	–
Liabilities arising on securitisation of own originated loans and advances	1 487	–	1 487	–	1 487	–
Liabilities arising on securitisation of other assets	1 220	–	1 220	–	1 220	–
	2 707	2 707	–	–	–	–
2011						
Company						
Total assets reclassified						
Cash equivalent advances to customers	–	5 829	(5 829)	(5 829)	–	–
Non-sovereign and non-bank cash placements	5 829	–	5 829	5 829	–	–
Sovereign debt securities	29 117	–	29 117	–	–	29 117
Bank debt securities	18 169	–	18 169	–	–	18 169
Other debt securities	4 760	–	4 760	–	–	4 760
Trading securities	–	44 246	(44 246)	–	–	(44 246)
Securities arising from trading activities	625	–	625	–	–	625
Investment portfolio	5 705	–	5 705	–	–	5 705
Investment securities	–	14 130	(14 130)	–	–	(14 130)
Loans and advances to customers	107 844	108 628	(784)	–	(784)	–
Securitised assets	–	905	(905)	–	(905)	–
Own originated loans and advances to customers securitised	905	–	905	–	905	–
Other loans and advances	784	–	784	–	784	–
	173 738	173 738	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	905	(905)	–	(905)	–
Liabilities arising on securitisation of own originated loans and advances	905	–	905	–	905	–
	905	905	–	–	–	–

At 31 March R'million	New format	As previously reported	Total reclassifi-cations	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassifi-cation
48. Reclassifications (continued)						
2010						
Company						
Total assets reclassified						
Cash equivalent advances to customers	–	6 455	(6 455)	(6 455)	–	–
Non-sovereign and non-bank cash placements	6 455	–	6 455	6 455	–	–
Sovereign debt securities	18 668	–	18 668	–	–	18 668
Bank debt securities	13 305	–	13 305	–	–	13 305
Other debt securities	2 757	–	2 757	–	–	2 757
Trading securities	–	37 045	(37 045)	–	–	(37 045)
Securities arising from trading activities	624	–	624	–	–	624
Investment portfolio	5 194	–	5 194	–	–	5 194
Investment securities	–	3 503	(3 503)	–	–	(3 503)
Loans and advances to customers	104 223	105 336	(1 113)	–	(1 113)	–
Securitised assets	–	852	(852)	–	(852)	–
Own originated loans and advances to customers securitised	852	–	852	–	852	–
Other loans and advances	1 113	–	1 113	–	1 113	–
	153 191	153 191	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	852	(852)	–	(852)	–
Liabilities arising on securitisation of own originated loans and advances	852	–	852	–	852	–
	852	852	–	–	–	–

Notice of annual general meeting of Investec Bank Limited

Investec Bank Limited

(Registration number 1969/004763/06)
(Share code: INLP | ISIN: ZAE000048393)
(the company)

Investec

Specialist Bank and Asset Manager

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Notice is hereby given that the annual general meeting of Investec Bank Limited will be held at 11:00 on Thursday, 2 August 2012, at the registered office of Investec Bank Limited at 100 Grayston Drive, Sandown, Sandton 2196, to:

- deal with such business as may lawfully be dealt with at the meeting
- consider, and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder.

Kindly note that in terms of section 63(1) of the Companies Act No 71 of 2008 , as amended (the Act), meeting participants (including proxies) will be required to provide reasonable satisfactory identification before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

Record dates, proxies and voting

- In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which shareholders are entitled to:
  - Receive notice of the annual general meeting (being the date on which a shareholder must be registered in the company's securities register in order to receive notice of the annual general meeting) as Friday, 29 June 2012; and
  - Participate in and vote at the annual general meeting (being the date on which the shareholder must be registered in the company's securities register in order to participate in and vote at the annual general meeting) as Friday, 27 July 2012
- On a poll: every shareholder of an ordinary share in Investec Bank Limited will have 1 (one) vote
- 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.

Ordinary business

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of the company:

1. To present audited financial statements for the year ended 31 March 2012, together with the reports of the auditors and directors of Investec Bank Limited.
2. To sanction the dividends paid on the ordinary and preference shares for the year ended 31 March 2012.
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) upon the recommendation of the current audit committee, as joint auditors, to hold office until the conclusion of the annual general meeting of Investec Bank Limited to be held in 2013.
4. To re-appoint KPMG Inc. of 85 Empire Road, Parktown 2193, South Africa (Private Bag 9, Parkview 2122, South Africa) upon the recommendation of the current audit committee, as joint auditors, to hold office until the conclusion of the annual general meeting of Investec Bank Limited to be held in 2013.
5. To re-elect David Martin Lawrence who is retiring by rotation in terms of the Memorandum of Incorporation and being eligible, offers himself for re-election.
6. To re-elect Mangalani Peter Malungani who is retiring by rotation in terms of the Memorandum of Incorporation and being eligible, offers himself for re-election.
7. To re-elect Sir David John Prosser who is retiring by rotation in terms of the Memorandum of Incorporation and being eligible, offers himself for re-election.
8. To re-elect Fani Titi who is retiring by rotation in terms of the Memorandum of Incorporation and being eligible, offers himself for re-election.

   For brief biographical details of the directors to be re-elected, please refer to pages 92 and 93 of the annual report.
9. To authorise any director or the company secretary to do all things and 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:

10. Special resolution No 1: Directors' authority to acquire non-redeemable, non-cumulative, non-participating preference shares ('perpetual preference shares')

Resolved that:

- in terms of Article 4(a)(i) of the existing Memorandum of Incorporation, Investec Bank Limited hereby approves, as a general approval provided for in the Companies Act, No 71 of 2008 (the Act), the acquisition by Investec Bank Limited or any of its subsidiaries from time to time of non-redeemable, non-cumulative, non-participating preference shares (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 Banks Act, No 94 of 1990, the Act and the Listings Requirements of the JSE Limited (the JSE and the JSE Listings Requirements), each as presently constituted and as amended from time to time, 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 2013, 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 percent) threshold is reached and for each 3% (three percent) in aggregate acquired thereafter

(iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty percent) of Investec Bank Limited's issued perpetual preference share capital as at the date of passing of this special resolution No 1

(v) the number of shares acquired by subsidiaries of Investec Bank Limited shall not exceed 10% (ten percent) in the aggregate in the number of issued perpetual preference shares in Investec Bank Limited at all relevant times

(vi) 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 percent) 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

(vii) at any point in time, Investec Bank Limited may only appoint 1 (one) agent to effect any acquisition on Investec Bank Limited's behalf

(viii) a resolution is passed by the board of directors that it has authorised the acquisition, that Investec Bank Limited and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group

(ix) 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

(x) authorisation thereto is given by the company's Memorandum of Incorporation; and

(xi) if the company enters into derivative transactions that may or will result in the repurchase of shares in terms of this general authority, such transaction will be subject to the requirements in paragraphs (ii), (iii), (iv), (vii), (ix) and (x) above, and the following requirements:

  - the strike price of any put option, written by the company, less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in paragraph (vi) above;
  - the strike price and any call option may be greater than the maximum price in paragraph (vi) at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% (ten percent) 'out of the money';
  - the strike price of the forward agreement may be greater than the maximum price in paragraph (vi) but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price in paragraph (vi).

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 perpetual preference shares of Investec Bank Limited which are in issue from time to time in terms of the 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 perpetual preference shares, if implemented and on the assumption that the maximum of 20% (twenty percent) of the current issued 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 percent) 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 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 2 August 2012 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 2 August 2012
- the consolidated assets of Investec Bank Limited and its subsidiaries, fairly valued in accordance with Generally 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 2 August 2012
- 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 2 August 2012
- 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 2 August 2012.

Litigation statement

In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 87 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 87 of the 2012 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 2012 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 2012 annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors and management – annual report pages 87 and pages 92 and 93
- Major beneficial shareholders – annual report page 110
- Directors' interests in ordinary shares – annual report page 101
- Share capital of Investec Bank Limited – annual report pages 170.

11. Special resolution No 2: Directors' authority to acquire ordinary shares

Resolved that:

- in terms of Article 4(a)(i) of the existing Memorandum of Incorporation, Investec Bank Limited hereby approves, as a general approval provided for in the Companies Act, No 71 of 2008 (the Act), the acquisition by Investec Bank Limited or any of its subsidiaries from time to time of ordinary issued 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 Banks Act, No 94 of 1990 and the Act, each as presently constituted and as amended from time to time, being, *inter alia*, that:
  - (i) this general authority shall be valid until Investec Bank Limited's next annual general meeting to be held in 2013, or 15 (fifteen) months from the date of the passing of this special resolution No 2, whichever is the shorter period
  - (ii) the number of shares acquired by subsidiaries of Investec Bank Limited shall not exceed 10% (ten percent) in the aggregate in the number of issued ordinary shares in Investec Bank Limited at all relevant times
  - (iii) a resolution is passed by the board of directors that it has authorised the acquisition, that Investec Bank Limited and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group
  - (iv) authorisation thereto is given by the company's Memorandum of Incorporation.

The reason for and effect of special resolution No 2 is to grant a renewable general authority to Investec Bank Limited, or a subsidiary of Investec Bank Limited, to acquire ordinary shares of Investec Bank Limited which are in issue from time to time in terms of the Act.

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.

12. Special resolution No 3: Financial assistance

Resolved that:

- to the extent required by the Companies Act, No 71 of 2008 (the 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 Act, the Banks Act, No 94 of 1990, and the Listings Requirements of the JSE Limited, 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:
  - any of its present or future subsidiaries and/or any other company or juristic person 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 juristic person, or for the purchase of any securities of Investec Bank Limited or a related or inter-related company or juristic person; and/or
  - any of the present or future directors or prescribed officers of Investec Bank Limited or of a related or inter-related company or juristic person (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 juristic person, or for the purchase of any securities of Investec Bank Limited or a related or inter-related company or juristic person, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, such authority to endure until the next annual general meeting of Investec Bank Limited to be held in 2013.

The reason for and effect of this special resolution No 3 is to enable Investec Bank Limited to comply with the provisions of sections 44 and 45 of the Act.

Notwithstanding the title of section 45 of the 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 juristic persons, including *inter alia*, its subsidiaries, for any purpose. Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to related or inter-related companies or juristic persons, 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 juristic persons, or for the purchase of any securities of the company or a related or inter-related company or juristic persons.

Both sections 44 and 45 of the 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:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Act); and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financing agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest. This is particularly so where funding is raised by conduct of their operations. In the circumstances and in order to, *inter alia*, ensure that the company and its subsidiaries and other related and inter-related companies and juristic persons continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements (not in ordinary course of the business of a bank), it is necessary to obtain the approval of the shareholders as set out in this special resolution. In terms of the company's Memorandum of Incorporation and the Companies Act, No 61 of 1973, as amended, the company was not precluded from providing the aforementioned financial assistance, prior to the advent of the Act. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act.

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or juristic person, and/or to a member of a related or inter-related company or juristic person, to subscribe for options or securities of the company or another company related or inter-related to it. Under the Act, the company will however require the special resolution referred to above to be adopted.

It is therefore imperative that the company obtains the approval of shareholders in terms of special resolution No 3 so that is able to effectively organise its internal financial administration.

13. Special resolution No 4: Non-executive directors' remuneration

Resolved that:

- in terms of section 66(9) of the Companies Act, No 71 of 2008, as amended (the Act), payment of the remuneration for the directors of Investec Bank Limited for their services as directors be approved as follows:
  - for the period 1 April 2012 to 31 March 2013: as set out on page 100 of the 2012 annual report
  - 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 4 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 of Investec Bank Limited, up to a maximum of 5% (five percent) per annum per amount set out as aforesaid.

The reason and effect of special resolution No 4 is to enable the company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by shareholders. The role of non-executive directors is under increasing focus of late with greater accountability and risk attached to the position.

For more information on the directors' remuneration, please refer to pages 95 to 105 of the 2012 annual report.

14. Special resolution No 5: Amendment to existing Memorandum of Incorporation

Resolved that:

- Subject to the holders of the non-redeemable, non-cumulative, non-participating preference shares in the capital of Investec Bank Limited passing a special resolution, at a separate class meeting of such holders, approving this amendment, article 15.2 of the existing Memorandum of Incorporation of the company be amended in terms of and pursuant to Section 16(5(b) of the Companies Act, No 71 of 2008, as amended, with effect from the date of filing thereof of the Companies and intellectual Property Commission, by
  - the deletion of the existing Article 150.1.9 and the insertion of the following new Article 150.1.9 in the company's Memorandum of Incorporation:

"150.1.9 'preference dividend rate' means, in respect of any preference dividend payable by the company on any preference dividend payment date

150.1.9A to the extent to which the company has STC credit which equals or exceeds the whole or any part of such preference dividend, then that portion of the preference dividend in respect of which the company has STC credit shall be calculated in accordance with Article 150.2.4 at a rate that will not exceed 75% (seventy five percent) of the prime rate; or

150.1.9B to the extent to which the company does not have STC credit which equals such preference dividend, then that portion of the preference dividend in respect of which the company has insufficient STC credit shall be calculated in accordance with Article 150.2.4 at a rate that will not exceed 83.33% (eighty three point three three percent) of the prime rate,

in each case with the prime rate being used as a rate of reference;",

(b) by the insertion of the following new Article 150.1.10A immediately after Article 150.1.0:

"150.1.10A 'STC credit' means an amount determined in terms of section 64J(2) of the Income Tax Act.",

(c) by the deletion of the existing Article 150.2.7 in its entirety,

The reason and effect of this special resolution No 5 is to allow for the gross-up of the dividend rate payable to the holders of the non-redeemable, non-cumulative, non-participating preference shares of Investec Bank Limited following the implementation of dividend tax which came into effect in South Africa on 1 April 2012.

By order of the board

B Coetsee
Company secretary
Sandton

Registered office
100 Grayston Drive
Sandown 2196

13 June 2012

Notice of class meeting of Investec Bank Limited

Investec Bank Limited

(Registration number 1969/004763/06)
(Share code: INLP | ISIN: ZAE000048393)
(the company)

Investec

Specialist Bank and Asset Manager

Notice is hereby given that a class meeting of holders of non-redeemable, non-cumulative, non-participating preference shares (the Investec Perpetual Preference Shares), in Investec Bank Limited will be held at 10:30 at the registered office of Investec Bank Limited, Ground Floor, 100 Grayston Drive, Sandown, Sandton 2196 on Thursday, 2 August 2012 to consider and, if deemed fit, pass, with or without modifications, the resolution below, to be passed as if it were a special resolution.

Kindly note that in terms of section 63(1) of the Companies Act No 71 of 2008, as amended (the Act), meeting participants (including proxies) will be required to provide reasonable satisfactory identification before being entitled to participate in or vote at a shareholders meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

The purpose of this meeting is to consider, and, if deemed fit, pass, with or without modification, the resolution set forth in this notice. The resolution is proposed to approve the amendment of the Memorandum of Incorporation regarding the rights of the Investec Perpetual Preference Shares. Any such amendment to the Memorandum of Incorporation is not meant to harmonise the provisions of the Memorandum of Incorporation with the provisions of the Companies Act, No 71 of 2008, as amended, but simply to amend the Memorandum of Incorporation as regards the preference dividends payable to the holders of the Investec Perpetual Preference Shares.

Record dates, proxies and voting

- In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which holders of the Investec Perpetual Preference Shares (shareholders) are entitled to:
  - Receive notice of the class meeting (being the date on which a shareholder must be registered in the company's securities register in order to receive notice of the class meeting) as Friday, 29 June 2012; and
  - Participate in and vote at the class meeting (being the date on which the shareholder must be registered in the company's securities register in order to participate in and vote at the class meeting) as Friday, 27 July 2012
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the class meeting, are entitled to appoint a proxy to attend, speak and vote in their stead
- A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll
- It is requested that proxy forms be forwarded so as to reach the transfer secretaries in South Africa by no later than 48 (forty-eight) hours before the commencement of the class meeting
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the class meeting, and who do not deliver proxy forms to the transfer secretaries in South Africa by the relevant time, will nevertheless be entitled to lodge the form of proxy in respect of the class meeting immediately prior to the exercising of the shareholders' rights at the class meeting in accordance with the instructions therein, with the chairman of the class meeting
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:
  - To furnish them with their voting instructions, or
  - In the event that they wish to attend the class meeting, to obtain the necessary letter of representation to do so
- On a poll, every shareholder who is present in person or represented by a proxy shall have one vote for each fully paid up share for which he is the holder
- The resolution must be passed in the same manner as a special resolution of the company
- The class meeting is a meeting at which only holders of the Investec perpetual preference shares in the company are entitled to vote on the resolution, to be passed as if it were a special resolution.

Resolution to be passes as if it was a special resolution

1. ### Resolution No 1: Amendment to the existing Memorandum of Incorporation

Resolved that:

- Article 150 of the existing Memorandum of Incorporation of Investec Bank Limited be amended in terms of and pursuant to the provisions of section 16(5)(b) of the Companies Act, No 71 of 2008, as amended, as follows:

(a) the deletion of the existing Article 150.1.9 and the replacement thereof with the following new Article 150.1.9:

"150.1.9 'preference dividend rate' means, in respect of any preference dividend payable by the company on any preference dividend payment date

150.1.9A to the extent to which the company has STC credit which equals or exceeds the whole or any part of such preference dividend, then that portion of the preference dividend in respect of which the company has STC credit shall be calculated in accordance with article 150.2.4 at a rate that will not exceed 75% (seventy five percent) of the prime rate; or

150.1.9B to the extent to which the company does not have STC credit which equals such preference dividend, then that portion of the preference dividend in respect of which the company has insufficient STC credit shall be calculated in accordance with article 150.2.4 at a rate that will not exceed 83.33% (eighty three point three three percent) of the prime rate, in each case with the prime rate being used as a rate of reference;",

(b) by the insertion of the following new Article 150.1.10A immediately after Article 150.1.10:

"150.1.10A 'STC credit' means an amount determined in terms of section 64J(2) of the Income Tax Act."

(c) by the deletion of the existing Article 150.2.7 in its entirety.

The reason and effect of this resolution No 1 is to allow for the gross-up of the dividend rate payable to the holders of the non-redeemable, non-cumulative, non-participating preference shares of Investec Bank Limited following the implementation of dividend tax which came into effect in South Africa on 1 April 2012.

The directors of Investec Bank Limited consider that the proposed resolution in the notice of the class meeting of holders of the non-redeemable, non-cumulative, non-participating preference shares (Investec Perpetual Preference Shares) is in the best interests of Investec Bank Limited and its holders of Investec Perpetual Preference Shares and recommend that you vote in favour hereof.

By order of the board

B Coetsee
Company secretary

Sandton
13 June 2012

Registered office
c/o Company secretarial
Investec Bank Limited
100 Grayston Drive
Sandown 2196

PO Box 785700
Sandton 2146

Notes

1. On a poll, every shareholder who is present in person or represented by a proxy shall have one vote for each fully paid up share for which he is the holder.
2. A shareholder who is entitled to attend and vote at the class meeting is entitled to appoint one or more persons as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting, provided that, if more than one proxy is appointed by a shareholder, each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a shareholder of Investec Bank Limited.
3. A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
4. It is requested that the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) be deposited at the transfer secretary's office at 70 Marshall Street, Johannesburg 2001, not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting
5. Entitlement to attend and vote at the meeting and the number of votes which may be cast there at will be determined by reference to Investec Bank Limited's register of shareholders on 27 July 2012 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
6. Any corporation which is a shareholder can appoint one or more representatives who exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
7. A copy of this notice can be found at www.investec.com.

Form of proxy: Class meeting

Investec Bank Limited

(Registration number 1969/004763/06)
(Share code: INLP | ISIN: ZAE000048393)
(the company)

Investec

Specialist Bank and Asset Manager

Only for use by shareholders who have not dematerialised their Investec Bank Limited non-redeemable, non cumulative, non-participating preference shares (Investec perpetual preference shares), or who have dematerialised their shares and selected 'own name' registration with Computershare's CSDP

For use by Investec perpetual preference shareholders who have not dematerialised their shares or who have dematerialised their Investec perpetual preference shares but with 'own name' registration at the Investec Bank Limited class meeting to be held at 10:30 (South African time) on 2 August 2012 at the registered office of Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, South Africa.

Shareholders who have dematerialised their Investec perpetual preference shares must inform their Central Securities Depository Participants (CSDP) or broker of their intention to attend the Investec Bank Limited class meeting and request their CSDP or broker to issue them with the necessary letters of representation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the Investec Bank Limited class meeting in person.

I/We ______________________________
(print name(s) in full)

of ______________________________
(full address)

being holder(s) of ______________________________ Investec perpetual preference shares of R0.0002 each

do hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the class meeting of Investec Bank Limited to be held on 2 August 2012 at 10:30 (South African time) and at any adjournment thereof.

Investec Bank Limited	In favour	Against	Abstain
Resolution No 1: Amendments to Article 150 of the existing Memorandum of Incorporation of Investec Bank Limited			

Signature: ______________________________ Date: ______________________________

A shareholder entitled to attend and vote at the class meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, and, on a poll, to vote in his place. Each resolution is to be decided on a poll and a shareholder or his proxy shall have one vote for every share held.

Notes

1. You are not obliged either to cast all your votes or to cast all your votes in the same way. Please instruct your proxy how to vote by either:
   (i) marking the appropriate box with an 'X' next to each resolution, in which event the proxy will cast all your votes in the manner so specified; or
   (ii) setting out the number of votes to be cast in each box (i.e. in favour of and/or against and/or by way of abstention) in respect of each resolution provided that if. for any resolution the aggregate number of votes to be cast would exceed the total number of shares held, you will be deemed to have given no specific instruction as to how you wish your proxy to vote in respect of that resolution.

   Your proxy will have discretion to vote in respect of your total holding on any resolution on which you have not (or are deemed not to have) given specific instruction as to how to vote and, unless instructed otherwise, on any business which may properly come before the meeting.
2. The date must be filled in on this form of proxy when it is signed.
3. If you are signing in a representative capacity, whether for another person or for an organisation, then, in order for this form to be valid, you must include a power of attorney or other written authority that authorises you to sign (or a certified copy of such power or authority).
4. In the case of a company, the proxy form should either be sealed by the company or signed by a director or an authorised signatory (and the provisions of paragraph 3 shall apply to such authorised signatory).
5. In the case of joint holders only one need sign. If more than one joint holder votes, whether in person or by proxy, only the most senior shareholder who renders a vote, whether in person or by proxy, will be counted. For this purpose, seniority is determined by the order in which shareholders' names appear in the register for that share.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory or signatories.
7. The return of this form of proxy will not prevent you from attending the meeting and voting in person.
8. It is requested that this form of proxy be deposited at the company's transfer secretaries:

   Computershare Investor Services (Proprietary) Limited
   70 Marshall Street, Johannesburg 2001
   PO Box 61051, Marshalltown 2107

   not later than 10:30 (South African time) on Thursday, 31 July 2012.
9. Dematerialised shareholders who have not selected 'own name' registration and who wish to attend the class meeting or be represented by proxy must inform their CSDP or broker of their voting instructions. However, should such shareholder wish to attend the class meeting in person, they will need to request their CSDP or broker timeously who will furnish them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised shareholders and the CSDP or broker.

Contact details

Mauritius, Ebéne Cyber City

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Port Louis
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Namibia,Windhoek

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South Africa, Cape Town

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Foreshore Cape Town 8001
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Facsimile (27 21) 416 1001

South Africa, Durban

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Ridgeside Office Park
Umhlanga Durban 4319
PO Box 25278 Gateway Durban 4321
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South Africa, East London

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South Africa, Knysna

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Thesen Harbour Town Knysna 6571
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Mbombela (formerly Nelspruit)

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

South Africa, Pietermaritzburg

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

South Africa, Port Elizabeth

6th floor Fairview Office Park
66 Ring Road Greenacres
Port Elizabeth 6045
PO Box 27416 Greenacres 6057
Telephone (27 41) 396 6700
Facsimile (27 41) 363 1667

South Africa, Pretoria

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

South Africa, Stellenbosch

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Stellentia Street Stellenbosch 7600
PO Box 516 Stellenbosch 7599
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Notes

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