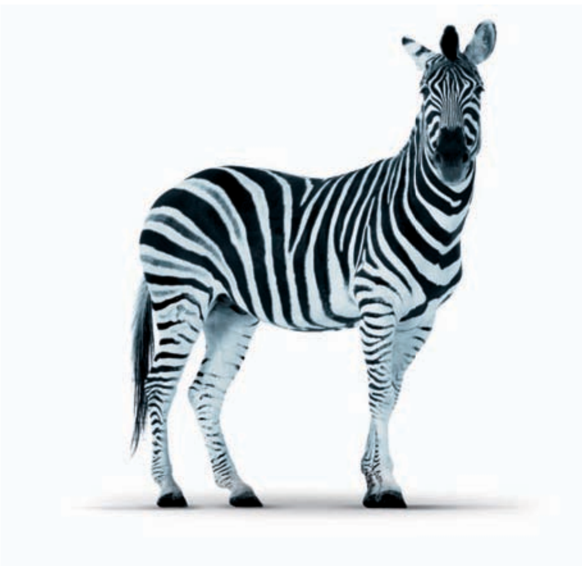
30 September 2012

Investec Bank Limited salient financial information

for the six months ended



Out of the Ordinary®

Investec

Specialist Banking | Asset Management | Wealth & Investment

Corporate information

Investec Bank Limited

Secretary and registered office

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Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young Inc.

Transfer secretaries

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

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
David M Lawrence (deputy chairman)
Bradley Tapnack

Non-executive directors

Fani Titi (chairman)
Sir David Prosser
Sam E Abrahams
M Peter Malungani
Karl XT Sockiwa
Peter RS Thomas
Busi C Tshili

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Who we are

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

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

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

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

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 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.

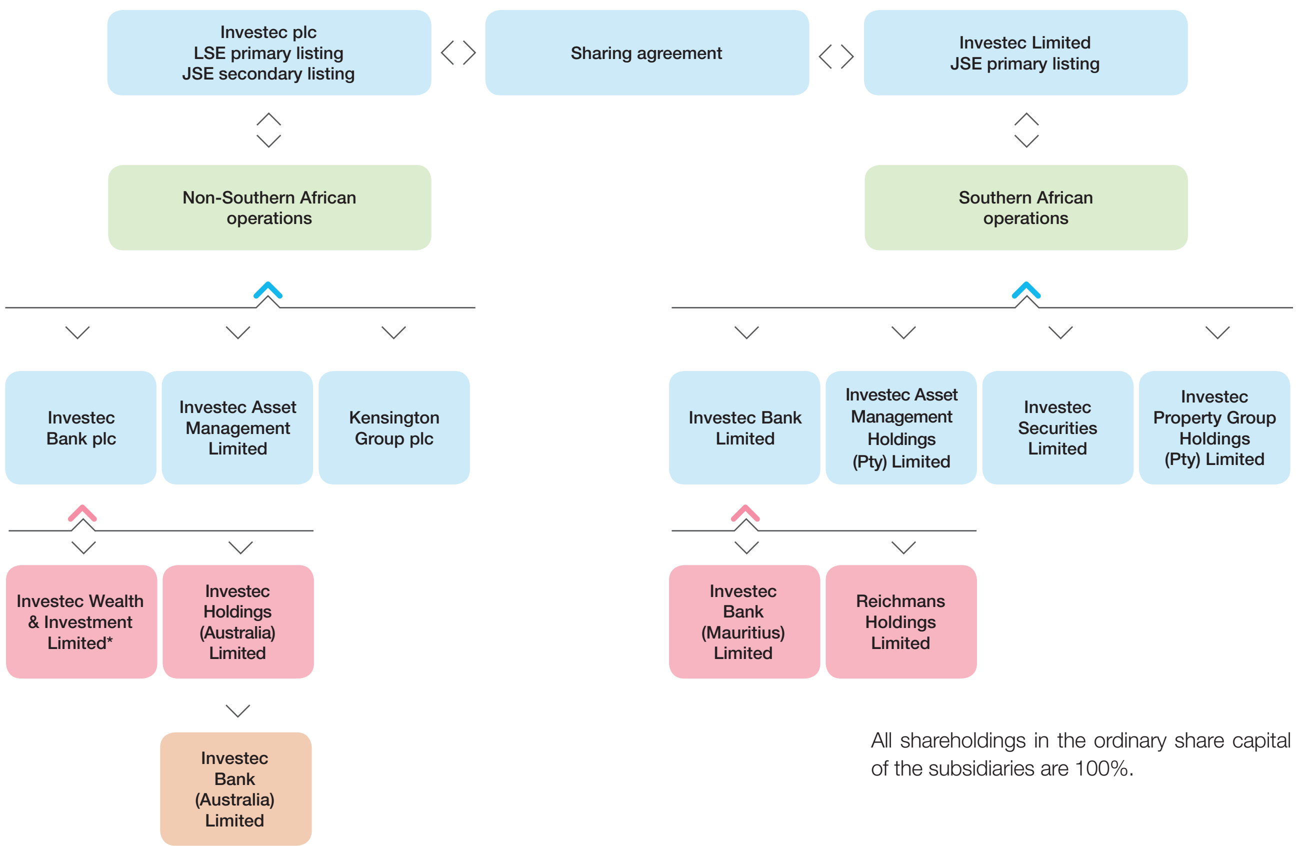
Overview of Investec's and Investec Bank Limited's organisational structure

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 30 September 2012



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

* *Including Williams de Broë which has been rebranded Investec Wealth & Investment.*

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

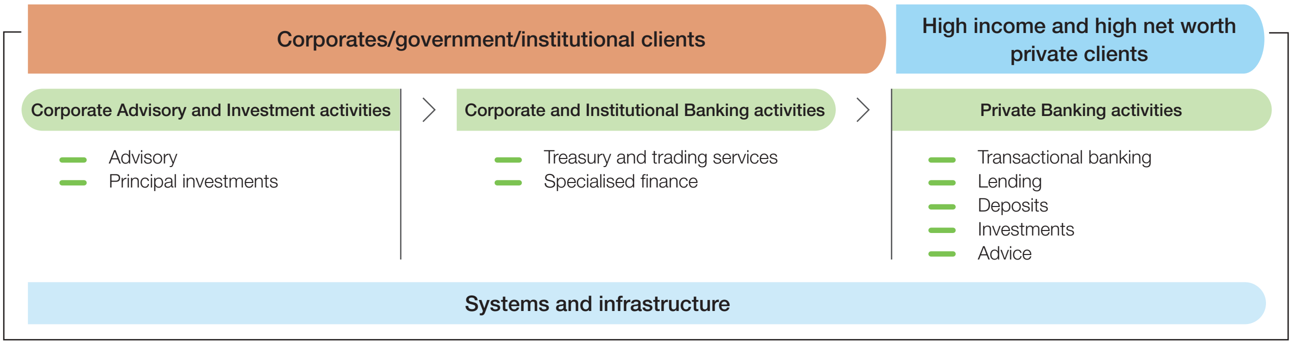
Salient features of the DLC structure

- 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.

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.



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 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.

Commentary on results and salient information

Investec Bank Limited posted a decrease in headline earnings attributable to ordinary shareholders of 18.1% to R779 million (2011: R951 million).

The balance sheet remains strong with a capital adequacy ratio of 16.9% (31 March 2012: 16.1%).

Salient features	Six months to 30 Sept 2012	Six months to 30 Sept 2011	% change	Year to 31 March 2012
Total operating income before impairment on loans and advances (R'million)	3 065	3 185	(3.8%)	6 357
Operating costs (R'million)	1 660	1 667	(0.4%)	3 351
Operating profit before taxation and headline adjustments (R'million)	1 002	1 161	(13.7%)	2 173
Headline earnings attributable to ordinary shareholders (R'million)	779	951	(18.1%)	1 812
Cost to income ratio	54.2%	52.3%		52.7%
Total capital resources (including subordinated liabilities) (R'million)	33 040	26 911	22.8%	29 642
Total equity (R'million)	21 729	20 045	8.4%	20 933
Total assets (R'million)	266 967	251 673	6.1%	255 952
Net core loans and advances (R'million)	129 814	120 189	8.0%	124 917
Customer accounts (deposits) (R'million)	178 979	172 079	4.0%	176 094
Cash and near cash balances (R'million)	75 112	62 186	20.8%	69 077
Capital adequacy ratio	16.9%	15.7%		16.1%
Tier 1 ratio	11.3%	11.8%		11.4%
Default loans (net of impairments) as a % of net core loans and advances	2.49%	3.32%		2.79%
Net defaults (after collateral and impairments) as a % of net core loans and advances	0.07%	–		–
Credit loss ratio*	0.62%	0.59%		0.69%
Total gearing/leverage ratio**	11.9x	12.3x		12.0x
Core loans (excluding own originated assets which have been securitised) to customer deposits	71.2%	68.6%		69.6%

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

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

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2011. Operating profit is before taxation and headline adjustments.

Salient operational features of the period under review include:

- Total operating income before impairment losses on loans and advances decreased by 3.8% to R3 065 million (2011: R3 185 million). The components of operating income are analysed further below:
  - Net interest income increased by 6.7% to R2 394 million (2011: R2 244 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
  - Net fee and commission income decreased 30.4% to R435 million (2011: R625 million) and customer flow trading income decreased 66.9% to R45 million (2011: R136 million) as a result of lower activity in the corporate and institutional banking businesses
  - Investment income decreased by 84.0% to R15 million (2011: R94 million) largely due to a weaker performance from the bank's principal investments portfolio
  - Trading income arising from other trading activities increased significantly to R175 million (2011: R86 million) reflecting improved activity on the balance sheet management desk.
- Impairments on loans and advances increased from R357 million to R403 million. Default loans remained in line with 31 March 2012, with an improvement reported in the Private Client business offset by some corporate loans defaulting in the period. The credit loss charge as a percentage of average gross loans and advances has improved from 0.69% at 31 March 2012 to 0.62%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.49% (31 March 2012: 2.79%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.58 times (31 March 2012: 1.68 times)
- The ratio of total operating costs to total operating income amounts to 54.2% (2011: 52.3%). Total operating expenses at R1 660 million were in line with the prior period
- As a result of the foregoing factors profit before taxation decreased by 13.7% to R1 002 million (2011: R1 161 million).

Condensed consolidated interim financial statements for the six months to 30 September 2012

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet at 30 September 2012, and the related consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the period then ended, and selected notes to the condensed consolidated interim financial statements, in accordance with International Financial Reporting Standards applicable to interim financial reporting and in the manner required by the Companies Act 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 22 November 2012 and are signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Independent auditors' review report to the members of Investec Bank Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investec Bank Limited, which comprise the consolidated balance sheet as at 30 September 2012, and the related consolidated income statement, consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes on pages 13 to 16. Our responsibility is to express a conclusion on this interim information based on our review.

Directors' responsibility for the interim financial information

The company's directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting, the JSE Listing Requirements and the manner required by the Companies Act of South Africa 2008.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Investec Bank Limited as at 30 September 2012, and of the financial performance and its cash flows for the 6 month period then ended in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting and in a manner required by the Companies Act of South Africa 2008.

Ernst & Young Inc
Registered Auditor

Ernst & Young Inc

Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director
22 November 2012

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

KPMG Inc
Registered Auditor

KPMG Inc.

Per Gavin de Lange
Chartered Accountant (SA)
Registered Auditor
Director
22 November 2012

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Consolidated income statement

R'million	Reviewed six months to 30 Sept 2012	Reviewed six months to 30 Sept 2011*	Audited year to 31 March 2012
Interest income	8 533	8 003	15 850
Interest expense	(6 139)	(5 759)	(11 581)
Net interest income	2 394	2 244	4 269
Fee and commission income	485	639	1 146
Fee and commission expense	(50)	(14)	(91)
Investment income	15	94	589
Trading income arising from			
– customer flow	45	136	259
– balance sheet management and other trading activities	175	86	175
Other operating income	1	–	10
Total operating income before impairment on loans and advances	3 065	3 185	6 357
Impairment losses on loans and advances	(403)	(357)	(833)
Operating income	2 662	2 828	5 524
Operating costs	(1 660)	(1 667)	(3 351)
Profit before taxation	1 002	1 161	2 173
Taxation	(145)	(157)	(215)
Profit after taxation	857	1 004	1 958

** As restated for reclassifications detailed in the income statement reclassifications note on page 13.*

Consolidated statement of total comprehensive income

R'million	Reviewed six months to 30 Sept 2012	Reviewed six months to 30 Sept 2011	Audited year to 31 March 2012
Profit after taxation	857	1 004	1 958
Other comprehensive income			
Cash flow hedge movements taken directly to other comprehensive income^	(59)	(335)	(354)
Fair value movements on available-for-sale assets taken directly to other comprehensive income^	65	(18)	84
Gain on realisation of available-for-sale assets recycled through the income statement^	(36)	–	(42)
Foreign currency adjustments on translating foreign operations	170	341	229
Total comprehensive income	997	992	1 875
Total comprehensive income attributable to ordinary shareholders	945	939	1 771
Total comprehensive income attributable to perpetual preference shareholders	52	53	104
Total comprehensive income	997	992	1 875

^ *Net of taxation of R11 million (six months to 30 September 2011: (R137 million), year to 31 March 2012: R nil).*

Consolidated balance sheet

R'million	Reviewed 30 Sept 2012	Audited 31 March 2012	Reviewed 30 Sept 2011*
Assets			
Cash and balances at central banks	4 007	9 303	6 932
Loans and advances to banks	17 840	19 191	12 641
Non-sovereign and non-bank cash placements	9 859	7 885	5 025
Reverse repurchase agreements and cash collateral on securities borrowed	8 970	5 098	5 501
Sovereign debt securities	35 164	30 222	34 714
Bank debt securities	24 095	27 695	24 451
Other debt securities	6 099	6 284	5 475
Derivative financial instruments	12 691	10 595	18 917
Securities arising from trading activities	848	1 628	2 592
Investment portfolio	6 140	6 036	6 081
Loans and advances to customers	127 477	122 615	117 988
Own originated loans and advances to customers securitised	2 337	2 302	2 201
Other loans and advances	675	669	735
Other securitised assets	1 071	1 057	1 272
Interest in associated undertakings	41	38	89
Deferred taxation assets	55	46	40
Other assets	1 159	1 074	1 362
Property and equipment	250	308	287
Investment properties	1	5	5
Intangible assets	89	96	110
Loans to group companies	8 099	3 805	5 255
Total assets	266 967	255 952	251 673
Liabilities			
Deposits by banks	16 244	13 933	9 399
Derivative financial instruments	10 710	8 570	18 224
Other trading liabilities	484	172	398
Repurchase agreements and cash collateral on securities lent	18 954	18 174	15 635
Customer accounts (deposits)	178 979	176 094	172 079
Debt securities in issue	1 484	1 738	1 827
Liabilities arising on securitisation of own originated loans and advances	2 934	2 933	3 028
Liabilities arising on securitisation of other assets	492	492	600
Current taxation liabilities	1 151	1 113	1 074
Deferred taxation liabilities	49	9	437
Other liabilities	2 446	3 082	2 061
	233 927	226 310	224 762
Subordinated liabilities	11 311	8 709	6 866
Total liabilities	245 238	235 019	231 628
Equity			
Ordinary share capital	30	29	28
Share premium	14 026	13 527	12 793
Other reserves	21	(119)	(83)
Retained income	7 652	7 496	7 307
Total equity	21 729	20 933	20 045
Total liabilities and equity	266 967	255 952	251 673

* *As restated for reclassifications detailed in the balance sheet reclassifications note on page 13 to 14.*

Condensed consolidated statement of changes in equity

R'million	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2012	Reviewed six months to 30 Sept 2011
Balance at the beginning of the period	20 933	18 837	18 837
Profit after taxation	857	1 958	1 004
Cash flow hedge movements taken directly to other comprehensive income	(59)	(354)	(335)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	65	84	(18)
Fair value movements on available-for-sale assets recycled to the income statement	(36)	(42)	–
Foreign currency adjustments on translating foreign operations	170	229	341
Total comprehensive income for the period	997	1 875	992
Issue of ordinary shares	500	1 684	949
Dividends paid to ordinary shareholders	(649)	(1 359)	(680)
Dividends paid to perpetual preference shareholders	(52)	(104)	(53)
Balance at the end of the period	21 729	20 933	20 045

Condensed consolidated cash flow statement

R'million	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2012	Reviewed six months to 30 Sept 2011
Cash inflows from operations	1 364	2 630	1 566
Increase in operating assets	(17 629)	(24 511)	(28 311)
Increase in operating liabilities	7 272	30 234	28 140
Net cash (outflow)/inflow from operating activities	(8 993)	8 353	1 395
Net cash outflow from investing activities	(6)	(37)	(4)
Net cash inflow from financing activities	2 401	2 064	216
Effects of exchange rates on cash and cash equivalents	129	146	213
Net (decrease)/increase in cash and cash equivalents	(6 469)	10 526	1 820
Cash and cash equivalents at the beginning of the period	24 994	14 468	14 468
Cash and cash equivalents at the end of the period	18 525	24 994	16 288

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).

Notes to the interim financial statements

Accounting policies and disclosures

These reviewed interim condensed consolidated financial results of Investec Bank Limited (the bank) for the six months to 30 September 2012 comprises the bank and its subsidiaries (the group).

These reviewed interim condensed consolidated financial results have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the AC500 Standards as issued by the Accounting Practices Board and the Companies Act 71 of 2008.

The accounting policies applied in the preparation of the results for the six months to 30 September 2012 are consistent with those adopted in the financial statements for the year ended 31 March 2012. The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance director.

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Restatements and presentation of information

Consistent with the year ended 31 March 2012, the Investec Group has positioned its strategic disclosures around three core business areas namely, Asset Management, Wealth & Investment and Specialist Banking. In some respects the group believes that it has historically overcomplicated its external disclosures by elaborating on six core areas of business. As you would have already seen in the group's recent presentations, all the banking businesses have been combined under one broader umbrella of Specialist Banking. As a result the group has chosen to refine some of its disclosures, which have impacted the disclosures for Investec Bank Limited, and are explained further below. The group believes that these refinements provide greater clarity on the key income and balance sheet drivers of its business.

Consolidated income statement

- Consistent with the year ended 31 March 2012, the previously reported principal transactions income line item has been split into the following line items:
  - Investment income: income, other than net interest, from securities held for the purpose of generating interest yield, dividends and capital appreciation
  - Customer flow trading income: income from trading activities arising from facilitating customer 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.
- It is noted that there are no measurement changes nor are there any changes to total operating income.

For the six months to 30 September 2011 R'million	New format	As previously reported	Reclassifi-cations
Interest income	8 003	8 003	–
Interest expense	(5 759)	(5 759)	–
Net interest income	2 244	2 244	–
Fee and commission income	639	639	–
Fee and commission expense	(14)	(14)	–
Principal transactions	–	316	(316)
Investment income	94	–	94
Trading income arising from			
– customer flow	136	–	136
– balance sheet management and other trading activities	86	–	86
Total operating income before impairment on loans and advances	3 185	3 185	–

Consolidated balance sheet

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

Each category of reclassification is noted below, and is consistent with those made at 31 March 2012:

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.

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 has 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

Our 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 30 September 2011 R'million	New format	As previously reported	Total reclassifi-cations	Cash equivalent corporate paper	Loans and securitisation	Securities reclassifi-cation
Total assets reclassified						
Cash equivalent advances to customers	–	5 025	(5 025)	(5 025)	–	–
Non-sovereign and non-bank cash placements	5 025	–	5 025	5 025	–	–
Sovereign debt securities	34 714	–	34 714	–	–	34 714
Bank debt securities	24 451	–	24 451	–	–	24 451
Other debt securities	5 475	–	5 475	–	–	5 475
Trading securities	–	50 691	(50 691)	–	–	(50 691)
Securities arising from trading activities	2 592	–	2 592	–	–	2 592
Investment portfolio	6 081	–	6 081	–	–	6 081
Investment securities	–	22 622	(22 622)	–	–	(22 622)
Loans and advances to customers	117 988	118 723	(735)	–	(735)	–
Securitised assets	–	3 473	(3 473)	–	(3 473)	–
Own originated loans and advances to customers securitised	2 201	–	2 201	–	2 201	–
Other loans and advances	735	–	735	–	735	–
Other securitised assets	1 272	–	1 272	–	1 272	–
	200 534	200 534	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	3 628	(3 628)	–	(3 628)	–
Liabilities arising on securitisation of own originated loans and advances	3 028	–	3 028	–	3 028	–
Liabilities arising on securitisation of other assets	600	–	600	–	600	–
	3 628	3 628	–	–	–	–

Commentary on line of business segmental reclassifications

The Investec Group previously reported segmental disclosures by six core business lines as well as including a segment for the group's central functions. The group is now disclosing its segmental disclosures in three core business lines, namely, Asset Management, Wealth & Investment and Specialist Banking. In this regard:

- The income statement format has been revised as discussed above
- To align with the information provided to the Chief Operating Decision Maker, the Private Banking, Investment Banking, Capital Markets and Group Services and Other divisions have now been grouped under one banner and collectively referred to as Specialist Banking for Investec Bank Limited
- Accordingly no additional disclosures have been provided regarding the segmental results as the bank only has one segment. Significant information was provided in the income statement and balance sheet for this segment. The total operating profit has, however, not changed from that which was previously reported.

Calculation of headline earnings

R'million	Reviewed six months to 30 Sept 2012	Reviewed six months to 30 Sept 2011	Audited year to 31 March 2012
Profit after taxation	857	1 004	1 958
Preference dividends paid	(52)	(53)	(104)
Earnings attributable to ordinary shareholders	805	951	1 854
Headline adjustments, net of taxation:			
Gain on realisation of available-for-sale financial assets	(26)	–	(42)
Headline earnings attributable to ordinary shareholders	779	951	1 812

Income statement analysis

Net interest income

Net interest income increased by 6.7% to R2 394 million (2011: R2 244 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.

For the six months to 30 September R'million	Notes	2012 Balance sheet value	2012 Interest received	2011 Balance sheet value	2011 Interest received
Cash, near cash and bank debt and sovereign debt securities	1	99 935	2 419	89 264	1 993
Core loans and advances	2	129 814	5 426	120 189	5 188
Private Client		96 274	3 873	88 444	3 691
Corporate, institutional and other clients		33 540	1 553	31 745	1 497
Other debt securities and other loans and advances		6 774	158	6 210	120
Other interest earning assets	3	9 170	530	6 527	702
Total interest earning assets		245 693	8 533	222 190	8 003

For the six months to 30 September R'million	Notes	2012 Balance sheet value	2012 Interest paid	2011 Balance sheet value	2011 Interest paid
Deposits by banks and other debt related securities	4	36 682	452	26 861	245
Customer accounts (deposits)		178 979	5 039	172 079	4 629
Other interest earning liabilities	5	3 426	282	3 628	506
Subordinated liabilities		11 311	366	6 866	379
Total interest earning liabilities		230 398	6 139	209 434	5 759
Net interest income			2 394		2 244

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. *Comprises (as per the balance sheet) other securitised assets and 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 fees and commissions

Net fee and commission income decreased 30.4% to R435 million (2011: R625 million) as a result of lower activity in the Corporate and Institutional Banking businesses.

For the six months to 30 September R'million	2012	2011
Private client transactional fees	208	213
Corporate and institutional transactional and advisory services	277	426
Fee and commission income	485	639
Fee and commission expense	(50)	(14)
Net fees and commissions	435	625
Annuity (net of fees payable)	288	290
Deal	147	335

Investment income

Investment income decreased by 84.0% to R15 million (2011: R94 million) largely due to a weaker performance from the bank's principal investments portfolio.

For the six months to 30 September R'million	Investment portfolio* (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2012					
Realised	337	5	(1)	6	347
Unrealised	(344)	44	–	–	(300)
Dividend income	66	–	–	–	66
Funding and net other related costs	(93)	–	–	(5)	(98)
Investment income	(34)	49	(1)	1	15
2011					
Realised	148	30	–	–	178
Unrealised	(43)	24	–	12	(7)
Dividend income	24	–	–	–	24
Funding and net other related costs	(98)	–	–	(3)	(101)
Investment income	31	54	–	9	94

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

Risk management and capital information

Risk management

As per Basel II requirements, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2012.

Philosophy and approach

The bank 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.

3

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 period in review from a risk perspective

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

- Intimate involvement of 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 R833 million to R403 million. The credit loss charge as a percentage of average gross loans and advances has improved from 0.69% at 31 March 2012 to 0.62%
- Limited exposure to rated and unrated structured credit investments; representing approximately 1.2% of total assets
- A low leverage (gearing) ratio of 11.9 times
- Low equity (investment) risk exposure; within total investments comprising 2.6% 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 1.1% of total operating income
- A high level of readily available, high quality liquid assets; cash and near cash of approximately R75.1 billion, representing 32.1% 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.

Salient features

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

	30 Sept 2012	31 March 2012
Net core loans and advances (R'million)	129 814	124 917
Gross defaults as a % of gross core loans and advances	3.63%	3.80%
Defaults (net of impairments) as a % of net core loans and advances	2.49%	2.79%
Net defaults (after collateral and impairments) as a % of net core loans and advances	0.07%	–
Credit loss ratio*	0.62%	0.69%
Structured credit investments as a % of total assets	1.16%	1.05%
Banking book investment and equity risk exposures as a % of total assets	2.62%	2.66%
Traded market risk: one-day value at risk (R'million)	4.9	2.8
Cash and near cash (R'million)	75 112	69 077
Customer accounts (deposits) (R'million)	178 979	176 094
Core loans to equity ratio	6.0x	6.0x
Total gearing/leverage ratio**	11.9x	12.0x
Core loans (excluding own originated assets which have been securitised) to customer deposits	71.2%	69.6%
Capital adequacy ratio	16.9%	16.1%
Tier 1 ratio	11.3%	11.4%

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

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

Credit and counterparty risk management

Credit and counterparty risk description

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 particular foreign country, or dependent on that country's economy.

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

Credit and counterparty risk information

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

R'million	30 Sept 2012	31 March 2012	% change	Average*
Cash and balances at central banks	4 007	9 303	(56.9%)	6 655
Loans and advances to banks	17 840	19 191	(7.0%)	18 515
Non-sovereign and non-bank cash placements	9 859	7 885	25.0%	8 872
Reverse repurchase agreements and cash collateral on securities borrowed	8 970	5 098	76.0%	7 034
Sovereign debt securities	35 164	30 222	16.4%	32 693
Bank debt securities	24 095	27 695	(13.0%)	25 895
Other debt securities	6 075	6 284	(3.3%)	6 179
Derivative financial instruments	12 289	10 269	19.7%	11 279
Securities arising from trading activities	848	1 628	(47.9%)	1 238
Loans and advances to customers (gross)	129 021	123 920	4.1%	126 470
Own originated loans and advances to customers securitised (gross)	2 340	2 305	1.5%	2 323
Other loans and advances (gross)	686	681	0.7%	684
Other securitised assets (gross)	–	81	(100.0%)	41
Other assets	36	–	100.0%	18
Total on-balance sheet exposures	251 230	244 562	2.7%	247 896
Guarantees^	7 459	6 770	10.2%	7 114
Contingent liabilities, committed facilities and other	29 417	26 690	10.2%	28 054
Total off-balance sheet exposures	36 876	33 460	10.2%	35 168
Total gross credit and counterparty exposures pre collateral or other credit enhancements	288 106	278 022	3.6%	283 064

* *Where the average is based on a straight-line average for the period 1 April 2012 to 30 September 2012.*

^ *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.

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 30 September 2012				
Cash and balances at central banks	4 007	–		4 007
Loans and advances to banks	17 840	–		17 840
Non-sovereign and non-bank cash placements	9 859	–		9 859
Reverse repurchase agreements and cash collateral on securities borrowed	8 970	–		8 970
Sovereign debt securities	35 164	–		35 164
Bank debt securities	24 095	–		24 095
Other debt securities	6 075	24		6 099
Derivative financial instruments	12 289	402		12 691
Securities arising from trading activities	848	–		848
Investment portfolio	–	6 140	1	6 140
Loans and advances to customers	129 021	(1 544)	2	127 477
Own originated loans and advances to customers	2 340	(3)	2	2 337
Other loans and advances	686	(11)	2	675
Other securitised assets	–	1 071	3	1 071
Other assets	36	1 123	4	1 159
Property and equipment	–	250		250
Investment properties	–	1		1
Intangible assets	–	89		89
Intergroup	–	8 099		8 099
Interest in associated undertakings	–	41		41
Deferred taxation assets	–	55		55
Total on-balance sheet exposures	251 230	15 737		266 967

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 37 to 38.*
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.*

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	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
Other assets	–	1 074	4	1 074
Property and equipment	–	308		308
Investment properties	–	5		5
Intangible assets	–	96		96
Interest in associated undertakings	–	38		38
Deferred taxation assets	–	46		46
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 37 to 38.*
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 74.1% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A more detailed analysis of the private client loan portfolio is provided on page 35. The remainder of core loans and advances largely reside within our Corporate Client division and are evenly spread across industry sectors. A more detailed analysis of the corporate client loan portfolio is provided on page 35.

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	
	30 Sept 2012	31 March 2012	30 Sept 2012	31 March 2012	30 Sept 2012	31 March 2012
HNW and professional individuals	97 317	93 351	27 715	25 853	125 032	119 204
Agriculture	424	448	436	100	860	548
Electricity, gas and water (utility services)	1 640	1 308	458	96	2 098	1 404
Public and non business services	810	837	39 646	40 436	40 456	41 273
Business services	2 887	2 608	1 226	921	4 113	3 529
Finance and insurance	6 806	6 078	71 744	70 782	78 550	76 860
Retailers and wholesalers	2 092	2 004	2 249	2 880	4 341	4 884
Manufacturing and commerce	4 435	5 322	3 983	3 260	8 418	8 582
Construction	616	466	251	505	867	971
Commercial real estate	4 050	4 891	1 367	1 594	5 417	6 485
Mining and resources	4 371	2 713	4 450	3 593	8 821	6 306
Leisure, entertainment and tourism	1 252	1 370	320	375	1 572	1 745
Transport and communication	4 661	4 829	2 900	1 402	7 561	6 231
Total	131 361	126 225	156 745	151 797	288 106	278 022

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 30 September 2012					
Cash and balances at central banks	–	–	–	4 007	–
Loans and advances to banks	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	252	–	–	78
Reverse repurchase agreements and cash collateral on securities borrowed	63	–	1	23	–
Sovereign debt securities	–	–	–	35 164	–
Bank debt securities	–	–	–	–	–
Other debt securities	629	–	42	–	–
Derivative financial instruments	18	2	34	–	103
Securities arising from trading activities	–	–	4	451	–
Loans and advances to customers (gross)	94 977	424	1 640	810	2 887
Own originated loans and advances to customers securitised (gross)	2 340	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–
Other assets	–	–	–	–	–
Total on-balance sheet exposures	98 027	678	1 721	40 455	3 068
Guarantees	4 658	–	164	1	11
Contingent liabilities, committed facilities and other	22 347	182	213	–	1 034
Total off-balance sheet exposures	27 005	182	377	1	1 045
Total gross credit and counterparty exposures pre collateral or other credit enhancements	125 032	860	2 098	40 456	4 113
As at 31 March 2012					
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 facilites 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	Commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Total
	–	–	–	–	–	–	–	–	4 007
	17 840	–	–	–	–	–	–	–	17 840
	2 233	1 634	3 477	125	–	1 303	–	757	9 859
	8 881	–	–	–	–	–	–	2	8 970
	–	–	–	–	–	–	–	–	35 164
	24 095	–	–	–	–	–	–	–	24 095
	4 627	412	–	–	–	105	–	260	6 075
	10 528	98	48	–	1 307	11	–	140	12 289
	309	–	–	–	–	19	–	65	848
	6 806	2 092	4 435	616	4 050	4 371	1 252	4 661	129 021
	–	–	–	–	–	–	–	–	2 340
	686	–	–	–	–	–	–	–	686
	35	–	–	–	–	1	–	–	36
	76 040	4 236	7 960	741	5 357	5 810	1 252	5 885	251 230
	1 215	32	206	69	–	984	116	3	7 459
	1 295	73	252	57	60	2 027	204	1 673	29 417
	2 510	105	458	126	60	3 011	320	1 676	36 876
	78 550	4 341	8 418	867	5 417	8 821	1 572	7 561	288 106
	–	–	–	–	–	–	–	–	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

Gross credit and counterparty exposures by residual contractual maturity as at 30 September 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	3 969	–	–	–	–	38	4 007
Loans and advances to banks	15 659	312	41	1 708	120	–	17 840
Non-sovereign and non-bank cash placements	9 858	–	–	1	–	–	9 859
Reverse repurchase agreements and cash collateral on securities borrowed	7 069	282	592	1 027	–	–	8 970
Sovereign debt securities	10 851	8 796	7 086	7 742	689	–	35 164
Bank debt securities	1 144	3 181	6 416	12 145	1 209	–	24 095
Other debt securities	7	–	13	4 028	1 221	806	6 075
Derivative financial instruments	626	618	307	6 662	3 173	903	12 289
Securities arising from trading activities	328	–	–	201	182	137	848
Loans and advances to customers (gross)	14 126	4 656	11 250	54 978	13 587	30 424	129 021
Own originated loans and advances to customers securitised	6	8	16	882	–	1 428	2 340
Other loans and advances	–	–	–	686	–	–	686
Other securitised assets	–	–	–	–	–	–	–
Other assets	36	–	–	–	–	–	36
Total on-balance sheet exposures	63 679	17 853	25 721	90 060	20 181	33 736	251 230
Guarantees	2 461	242	730	832	39	3 155	7 459
Contingent liabilities, committed facilities and other	5 992	860	2 556	6 047	891	13 071	29 417
Total off-balance sheet exposures	8 453	1 102	3 286	6 879	930	16 226	36 876
Total gross credit and counterparty exposures pre collateral or other credit enhancements	72 132	18 955	29 007	96 939	21 111	49 962	288 106

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

Calculation of core loans and advances to customers

R'million	30 Sept 2012	31 March 2012
Loans and advances to customers as per the balance sheet	127 477	122 615
Add: own originated loans and advances securitised as per the balance sheet	2 337	2 302
Net core loans and advances to customers	129 814	124 917

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

R'million	30 Sept 2012	31 March 2012
Gross core loans and advances to customers	131 361	126 225
Total impairments	(1 547)	(1 308)
Portfolio impairments	(219)	(206)
Specific impairments	(1 328)	(1 102)
Net core loans and advances to customers	129 814	124 917
Average gross core loans and advances to customers	128 793	121 490
Current loans and advances to customers	124 741	119 622
Past due loans and advances to customers (1 – 60 days)	855	714
Special mention loans and advances to customers	991	1 095
Default loans and advances to customers	4 774	4 794
Gross core loans and advances to customers	131 361	126 225
Current loans and advances to customers	124 741	119 622
Default loans that are current and not impaired	256	128
Gross core loans and advances to customers that are past due but not impaired	2 856	3 226
Gross core loans and advances to customers that are impaired	3 508	3 249
Gross core loans and advances to customers	131 361	126 225
Total income statement charge for impairments on core loans and advances	(403)	(833)
Gross default loans and advances to customers	4 774	4 794
Specific impairments	(1 328)	(1 102)
Portfolio impairments	(219)	(206)
Defaults net of impairments	3 227	3 486
Collateral and other credit enhancements	5 113	5 861
Net default loans and advances to customers (limited to zero)	94*	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.18%	1.04%
Total impairments as a % of gross default loans	32.40%	27.28%
Gross defaults as a % of gross core loans and advances to customers	3.63%	3.80%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.49%	2.79%
Net defaults as a % of gross core loans and advances to customers	0.07%	–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.62%	0.69%

* *Exposures cannot be set-off against one another.*

An analysis of core loans and advances to customers and asset quality by client type as at 30 September 2012

R'million	Private Client**	Corporate Client**	Other*	Total
Gross core loans and advances to customers	97 317	29 047	4 997	131 361
Total impairments	(1 043)	(295)	(209)	(1 547)
Portfolio impairments	(93)	(24)	(102)	(219)
Specific impairments	(950)	(271)	(107)	(1 328)
Net core loans and advances to customers	96 274	28 752	4 788	129 814
Average gross core loans and advances	95 334	28 459	5 000	128 793
Current loans and advances to customers	91 770	28 283	4 688	124 741
Past due loans and advances to customers (1 – 60 days)	614	83	158	855
Special mention loans and advances to customers	942	40	9	991
Default loans and advances to customers	3 991	641	142	4 774
Gross core loans and advances to customers	97 317	29 047	4 997	131 361
Current loans and advances to customers	91 770	28 283	4 688	124 741
Default loans that are current and not impaired	225	31	–	256
Gross core loans and advances to customers that are past due but not impaired	2 509	180	167	2 856
Gross core loans and advances to customers that are impaired	2 813	553	142	3 508
Gross core loans and advances to customers	97 317	29 047	4 997	131 361
Total income statement charge for impairments on core loans and advances	(274)	(117)	(12)	(403)
Gross default loans and advances to customers	3 991	641	142	4 774
Specific impairments	(950)	(271)	(107)	(1 328)
Portfolio impairments	(93)	(24)	(102)	(219)
Defaults net of impairments	2 948	346	(67)	3 227
Collateral and other credit enhancements	4 831	252	30	5 113
Net default loans and advances to customers (limited to zero)	–	94	–	94^
Total impairments as a % of gross core loans and advances to customers	1.07%	1.02%	4.18%	1.18%
Total impairments as a % of gross default loans	26.13%	46.02%	>100.0%	32.40%
Gross defaults as a % of gross core loans and advances to customers	4.10%	2.21%	2.84%	3.63%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.06%	1.20%	(1.40%)	2.49%
Net defaults as a % of core loans and advances to customers	–	0.32%	–	0.07%
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross loans and advances)	0.57%	0.80%	0.48%	0.62%

* *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 35.*

^ *Exposures cannot be set-off against one another.*

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

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 core 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 35.*

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

R'million	30 Sept 2012	31 March 2012
Watchlist loans neither past due nor impaired	1 122	668
1 – 60 days	1 459	1 368
61 – 90 days	243	501
91 – 180 days	522	611
181 – 365 days	536	387
>365 days	2 738	3 068
Total gross non-current loans and advances to customers (actual capital exposure)	6 620	6 603
1 – 60 days	670	620
61 – 90 days	13	314
91 – 180 days	246	263
181 – 365 days	336	267
>365 days	2 313	2 458
Total gross non-current loans and advances to customers (actual amount in arrears)	3 578	3 922

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

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 30 September 2012							
Watchlist loans neither past due nor impaired							
Total capital exposure	256	–	–	–	–	–	256
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 386	232	354	257	627	2 856
Amount in arrears	–	600	11	196	149	501	1 457
Gross core loans and advances to customers that are impaired							
Total capital exposure	866	73	11	168	279	2 111	3 508
Amount in arrears	–	70	2	50	187	1 812	2 121
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

A further age analysis based of gross non-current core loans and advances to customers as at 30 September 2012 (based on total capital exposure)

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)	–	855	–	–	–	–	855
Special mention	–	495	207	50	94	145	991
Special mention (1 – 90 days)	–	495	70	50*	94*	145*	854
Special mention (61 – 90 days and item well secured)	–	–	137	–	–	–	137
Default	1 122	109	36	472	442	2 593	4 774
Sub-standard	225	36	25	247	163	488	1 184
Doubtful	897	73	11	225	279	2 105	3 590
Total	1 122	1 459	243	522	536	2 738	6 620

A further age analysis based of gross non-current core loans and advances to customers as at 30 September 2012 (based on actual amount in arrears)

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)	–	172	–	–	–	–	172
Special mention	–	422	10	39	91	110	672
Special mention (1 – 90 days)	–	422	3	39*	91*	110*	665
Special mention (61 – 90 days and item well secured)	–	–	7	–	–	–	7
Default	–	76	3	207	245	2 203	2 734
Sub-standard	–	6	1	153	58	394	612
Doubtful	–	70	2	54	187	1 809	2 122
Total	–	670	13	246	336	2 313	3 578

* *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 2012 (based on total capital exposure)

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)

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 analysis of core loans and advances to customers

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 30 September 2012								
Current core loans and advances	124 741	–	–	124 741	–	(209)	124 532	–
Past due (1 – 60 days)	–	855	–	855	–	(2)	853	172
Special mention	–	991	–	991	–	(8)	983	672
Special mention (1 – 90 days)	–	854	–	854	–	(7)	847	665
Special mention (61 – 90 days and item well secured)	–	137	–	137	–	(1)	136	7
Default	256	1 010	3 508	4 774	(1 328)	–	3 446	2 734
Sub-standard	225	953	6	1 184	–	–	1 184	612
Doubtful	31	57	3 502	3 590	(1 328)	–	2 262	2 122
Total	124 997	2 856	3 508	131 361	(1 328)	(219)	129 814	3 578
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

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

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 30 September 2012						
Current core loans and advances	91 769	23 413	6 797	810	1 952	124 741
Past due (1 – 60 days)	615	83	–	–	157	855
Special mention	942	40	–	–	9	991
Special mention (1 – 90 days)	814	40	–	–	–	854
Special mention (61 – 90 days and item well secured)	128	–	–	–	9	137
Default	3 991	660	9	–	114	4 774
Sub-standard	1 182	–	–	–	2	1 184
Doubtful	2 809	660	9	–	112	3 590
Total gross core loans and advances to customers	97 317	24 196	6 806	810	2 232	131 361
Total impairments	(1 043)	(421)	(3)	(1)	(79)	(1 547)
Specific impairments	(950)	(299)	–	–	(79)	(1 328)
Portfolio Impairments	(93)	(122)	(3)	(1)	–	(219)
Net core loans and advances to customers	96 274	23 775	6 803	809	2 153	129 814
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

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

R'million	30 Sept 2012	31 March 2012
Private Banking professional and HNW individuals	97 317	93 351
Corporate sector	24 196	23 883
Banking, insurance, financial services (excluding sovereign)	6 806	6 078
Public and government sector (including central banks)	810	837
Trade finance	2 232	2 076
Total gross core loans and advances to customers	131 361	126 225

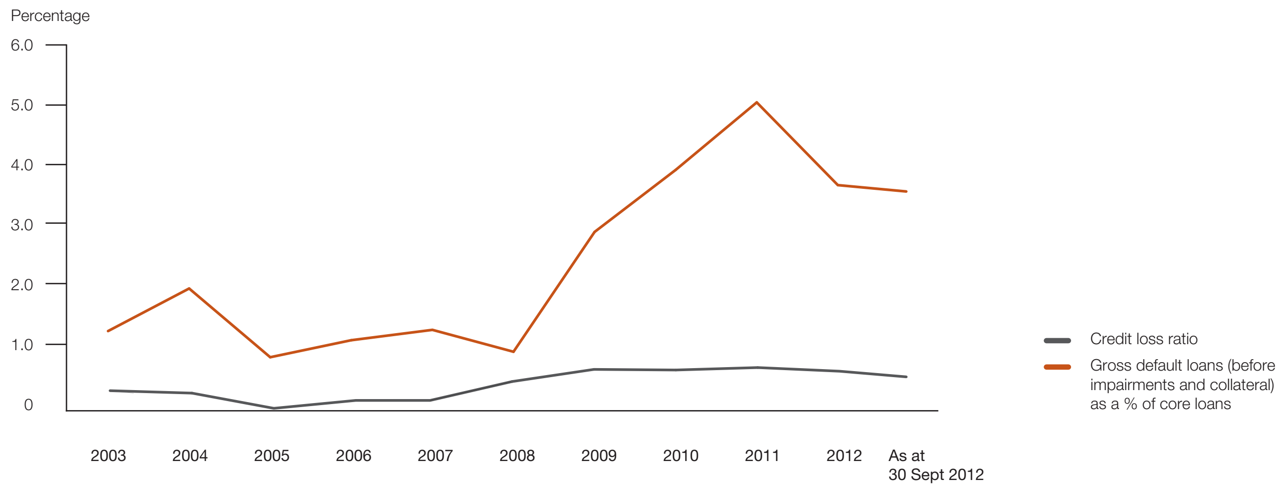
An analysis of default core loans and advances as at 30 September 2012

R'million	Gross core loans	Gross defaults	Collateral	Balance sheet impairments
Private Client				
Residential property	34 240	2 147	2 033	(601)
Residential property investment	3 655	271	238	(76)
Residential mortgages (owner occupied)	27 146	521	624	(102)
Residential property development	1 048	111	117	(29)
Residential estate/land	2 391	1 244	1 054	(394)
Commercial property	39 693	1 018	1 279	(250)
Commercial property investment	34 415	706	839	(168)
Commercial property land	2 311	226	244	(78)
Commercial property development	2 967	86	196	(4)
Other	23 384	826	1 519	(192)
Other secured lending to private clients	22 076	798	1 511	(172)
Unsecured lending^	1 308	28	8	(20)
Total Private Client	97 317	3 991	4 831	(1 043)
Corporate Client				
Acquisition finance	2 391	–	–	–
Asset finance	3 896	–	–	(7)
Corporate loans	17 115	138	86	(69)
Project finance	2 522	303	132	(149)
Resource finance and commodities	3 123	200	34	(70)
Total Corporate Client	29 047	641	252	(295)
Other*	4 997	142	30	(209)
Total group	131 361	4 774	5 113	(1 547)

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

^ *Largely relates to credit card balances.*

Asset quality ratios



Trends reflect numbers as at the year ended 31 March unless otherwise stated.

Collateral

An summary of collateral is provided in the table below

R'million	Collateral held against Core loans and advances	Collateral held against Other credit and counterparty exposures*	Total
As at 30 September 2012			
Eligible financial collateral	24 429	1 873	26 302
Listed shares	22 870	1 825	24 695
Cash	1 559	48	1 607
Mortgage bonds	161 213	15	161 228
Residential mortgages	69 589	–	69 589
Commercial property development	9 784	15	9 799
Commercial property investments	81 840	–	81 840
Other collateral	47 742	1 784	49 526
Unlisted shares	13 917	–	13 917
Bonds other than mortgage bonds	5 995	1 064	7 059
Debtors, stock and other corporate assets	4 678	–	4 678
Guarantees	10 312	720	11 032
Other	12 840	–	12 840
Total collateral	233 384	3 672	237 056
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
Mortgage bonds	154 396	15	154 411
Residential mortgages	63 718	–	63 718
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

* *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.

Valuation and accounting methodologies

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

R'million Category	Income (pre funding costs)			
	Unrealised	Realised	Dividends	Total
For the six months to 30 September 2012				
Unlisted investments	(207)	319	66	178
Listed equities	(153)	2	–	(151)
Investments and trading properties	–	5	–	5
Warrants, profit shares and other embedded derivatives	16	16	–	32
Total	(344)	342	66	64
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:

R'million Category	On-balance sheet value of investments 30 Sept 2012	Valuation change stress test* 30 Sept 2012	On-balance sheet value of investments 31 March 2012	Valuation change stress test* 31 March 2012
Unlisted investments	5 758	864	5 302	761
Listed equities	382	96	734	156
Investments and trading properties	443	103	389	80
Warrants, profit shares and other embedded derivatives	402	141	386	148
Total	6 985	1 204	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 30 September 2012, as reflected above we could have a R1.2 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 47 for further detail.

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 R1.2 billion as at 30 September 2012 (31 March 2012: R1.7 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 39). 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 2012: R2.3 billion). These securitisation structures have all been rated by Moody's.

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 30 Sept 2012 R'million	Exposure as at 31 March 2012 R'million	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	3 119	2 680	Other debt securities and other loans and advances		Risk-weighted or supervisory deductions against primary and secondary capital
Rated	3 032	2 514			
Unrated	87	166			
Warehouse lines provided to own originated loans and advances to customers, and investment in third party intermediary originating platforms (mortgage and auto loans)	675	669	Other loans and advances		Risk-weighted depending on rating of counterparty
Private Client division assets which have been securitised	2 337	2 302	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 27	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital
Liquidity facilities provided to third party corporate securitisation vehicles	1 222	1 660	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 30 September 2012**

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	36	–	–	36
European RMBS	46	1 163	440	630	343	–	–	2 622
European CMBS	–	130	–	–	–	–	–	130
South African RMBS	7	1	–	–	–	–	–	8
Australian RMBS	–	236	–	–	–	–	–	236
Total as at 30 September 2012	46	1 536	441	630	379	–	–	3 032
Total as at 31 March 2012	206	1 052	371	518	250	117	–	2 514

Traded market risk management

Traded market risk description

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

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

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 as well as 99% 10-day stressed VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

VaR 95% (one-day)

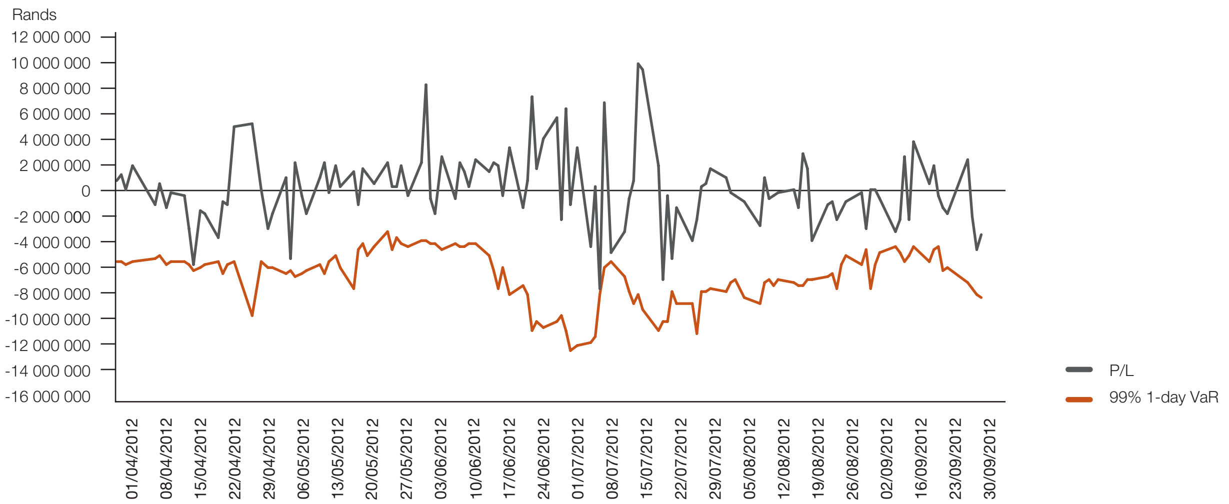
R'million	Period end R'million	Average R'million	High R'million	Low R'million
30 September 2012				
Commodities	–	0.1	0.6	–
Equity derivatives	1.1	2.5	7.0	0.9
Foreign exchange	1.3	1.9	3.7	1.0
Interest rates	6.5	2.9	7.2	1.1
Consolidated*	4.9	4.0	8.8	1.9
31 March 2012				
Commodities	–	0.1	0.5	–
Equity 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

* *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 September 2012 in the South African trading book was slightly higher than at March 2012, though still lower than pre-crisis (2007) levels. Using hypothetical (clean) profit and loss data for backtesting resulted in no exceptions.

99% 1-day VaR backtesting



ETL 95% (one-day)

R'million	30 Sept 2012	31 March 2012
Commodities	0.1	0.1
Equity derivatives	2.0	2.7
Foreign exchange	1.9	2.2
Interest rates	8.4	3.9
Consolidated*	7.3	4.1

* *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

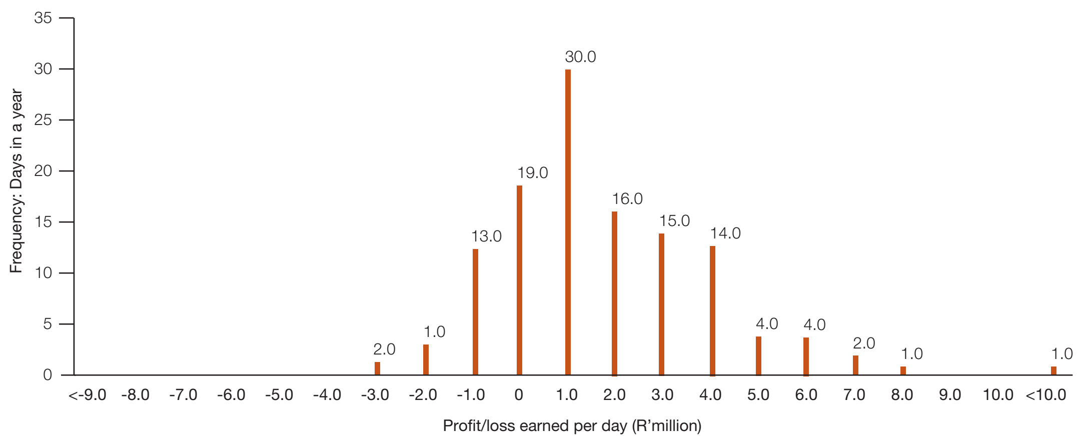
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers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

R'million	30 Sept 2012	31 March 2012
Commodities	0.1	0.1
Equity derivatives	8.1	13.7
Foreign exchange	10.6	17.2
Interest rates	41.7	24.3
Consolidated	32.7	13.5

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 87 days out of a total of 123 days in the trading business. The average daily trading revenue generated for six monts to 30 September 2012 was R1.3 million (31 March 2012: R1.5 million).

Profit and loss



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.

Non-trading interest rate risk description

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.

Interest rate sensitivity gap as at 30 September 2012

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

R'million	Not >3 months	>3 months but <6 months	>6 months but <1 year	>1 year but <5 years	>5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	15 907	–	907	16	–	4 481	21 311
Cash and short-term funds – non-banks	9 840	18	–	–	–	–	9 858
Investment/trading assets and statutory liquids	29 041	10 737	9 697	10 446	5 200	6 551	71 672
Securitised assets	3 001	–	–	–	–	407	3 408
Advances	109 805	2 553	930	8 301	5 430	1 133	128 152
Other assets	–	–	–	–	–	1 372	1 372
Assets	167 594	13 308	11 534	18 763	10 630	13 944	235 773
Deposits – banks	(12 757)	(790)	(42)	(2 581)	–	(68)	(16 238)
Deposits – non-banks	(143 967)	(17 200)	(12 359)	(2 628)	(646)	(1 324)	(178 124)
Negotiable paper	(1 268)	(100)	(10)	(32)	(74)	–	(1 484)
Securitised liabilities	(3 021)	–	–	–	–	(405)	(3 426)
Investment/trading liabilities	(8 954)	(9)	(470)	(2 451)	(1 037)	(166)	(13 087)
Subordinated liabilities	(6 827)	(2 062)	–	(125)	(2 288)	(9)	(11 311)
Other liabilities	–	–	–	–	–	(3 119)	(3 119)
Liabilities	(176 794)	(20 161)	(12 881)	(7 817)	(4 045)	(5 091)	(226 789)
Intercompany loans	9 931	1 023	509	1 161	198	1 109	13 931
Shareholders' funds	(1 174)	–	–	–	(11)	(20 496)	(21 681)
Balance sheet	(443)	(5 830)	(838)	12 107	6 772	(10 534)	1 234
Off-balance sheet	18 585	(3 651)	3 505	(14 879)	(4 794)	–	(1 234)
Repricing gap	18 142	(9 481)	2 667	(2 772)	1 978	(10 534)	–
Cumulative repricing gap	18 142	8 661	11 328	8 556	10 534	–	–

Economic value sensitivity as at 30 September 2012

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	87.6	(0.5)	3.9	2.1	2.0	153.5
200bp up	(106.9)	(0.5)	(5.0)	1.4	(1.9)	(156.8)

Liquidity risk

Liquidity risk description

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

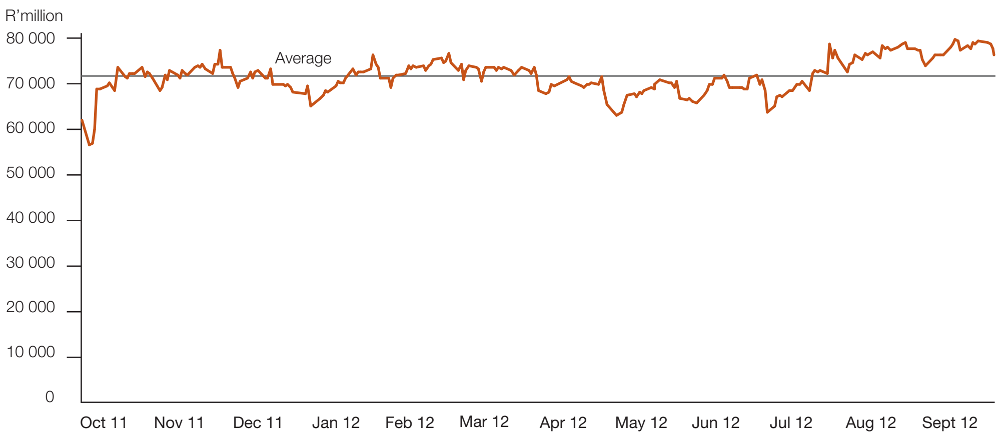
Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements 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.

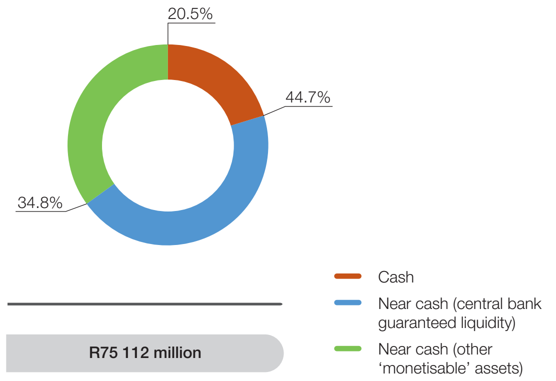
Sources of liquidity risk include:

- 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
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

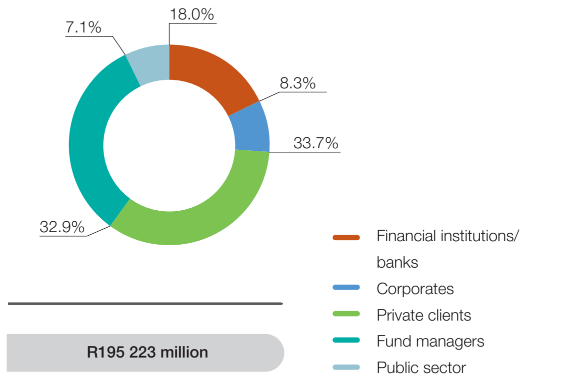
Investec Bank Limited (South Africa) cash and near cash trend



An analysis of cash and near cash



Bank and non-bank depositor concentration by type



Liquidity mismatch

The tables that follow show our contractual liquidity mismatch across our business.

The tables may not agree directly to the balances disclosed in the respective balance sheet since the table 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 table reflects 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.

3

Contractual liquidity as at 30 September 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*	15 555	2 663	1 581	21	943	960	124	21 847
Cash and short-term funds – non-banks	9 670	69	102	18	–	–	–	9 859
Investment/trading assets and statutory liquids**	28 087	20 618	795	677	1 857	25 766	16 249	94 049
Securitised assets	81	18	66	117	257	963	1 906	3 408
Advances	2 251	7 447	7 793	10 156	9 786	58 745	31 974	128 152
Other assets	2 331	35	341	1 030	1 905	186	3 824	9 652
Assets	57 975	30 850	10 678	12 019	14 748	86 620	54 077	266 967
Deposits – banks	(1 793)	(1 486)	(271)	(236)	(8 886)	(3 572)	–	(16 244)
Deposits – non-banks	(63 673)^	(22 643)	(27 355)	(22 037)	(24 603)	(17 161)	(1 507)	(178 979)
Negotiable paper	–	(260)	–	(487)	(50)	(87)	(600)	(1 484)
Securitised liabilities	(14)	(618)	(412)	–	–	(1 957)	(425)	(3 426)
Investment/trading liabilities	(310)	(7 030)	(384)	(659)	(1 584)	(19 022)	(1 159)	(30 148)
Subordinated liabilities	–	–	–	(3 009)	–	(1 775)	(6 527)	(11 311)
Other liabilities	–	–	(258)	(100)	–	(31)	(3 257)	(3 646)
Liabilities	(65 790)	(32 037)	(28 680)	(26 528)	(35 123)	(43 605)	(13 475)	(245 238)
Shareholders' funds	–	–	–	–	–	–	(21 729)	(21 729)
Contractual liquidity gap	(7 815)	(1 187)	(18 002)	(14 509)	(20 375)	43 015	18 873	–
Cumulative liquidity gap	(7 815)	(9 002)	(27 004)	(41 513)	(61 888)	(18 873)	–	–

Note: contractual liquidity adjustments (as discussed on page 44)

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	11 089	2 663	1 581	21	943	960	4 590	21 847
**Investment/trading assets and statutory liquids	1 988	7 329	7 246	13 257	14 593	30 746	18 890	94 049

Behavioural liquidity (as discussed on page 44)

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	24 448	(2 856)	2 930	(784)	(5 132)	(58 882)	40 276	–
Cumulative	24 448	21 592	24 522	23 738	18 607	(40 276)	–	–

^ *Includes call deposits of R59.1 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Capital information

Capital structure

R'million	30 Sept 2012	31 March 2012
Regulatory capital		
Tier 1		
Called up share capital	30	29
Share premium	14 026	13 527
Retained income	7 964	7 807
Other reserves	6	6
Goodwill	(89)	(96)
Primary capital (tier 1)	21 937	21 273
Less: deductions	(184)	(248)
	21 753	21 025
Tier 2 capital		
Aggregate amount	11 095	8 915
Less: deductions	(184)	(248)
	10 911	8 667
Total capital	32 664	29 692

Capital requirements

R'million	30 Sept 2012	31 March 2012
Capital requirements	18 333	17 504
Credit risk – prescribed standardised exposure classes	13 820	13 081
Corporates	8 348	7 773
Secured on real estate property	1 338	1 246
Counterparty risk on trading positions	603	498
Short-term claims on institutions and corporates	1 997	2 033
Retail	310	314
Institutions	1 142	1 125
Other exposure classes	82	92
Securitisation exposures	434	382
Equity risk – standardised approach	2 429	2 376
Listed equities	184	229
Unlisted equities	2 245	2 147
Market risk – portfolios subject to internal models approach	415	421
Interest rate	176	125
Foreign exchange	105	120
Commodities	2	2
Equities	132	174
Operational risk – standardised approach	1 235	1 244

Capital adequacy

R'million	30 Sept 2012	31 March 2012
Primary capital (tier 1)	21 937	21 273
Less: deductions	(184)	(248)
	21 753	21 025
Tier 2 capital		
Aggregate amount	11 095	8 915
Less: deductions	(184)	(248)
	10 911	8 667
Total capital	32 664	29 692
Risk-weighted assets (banking and trading)	192 980	184 253
Credit risk – prescribed standardised exposure classes	145 476	137 704
Corporates	87 881	81 824
Secured on real estate property	14 083	13 117
Counterparty risk on trading positions	6 343	5 245
Short-term claims on institutions and corporates	21 022	21 401
Retail	3 258	3 301
Institutions	12 028	11 846
Other exposure classes	861	970
Securitisation exposures	4 572	4 017
Equity risk – standardised approach	25 567	25 011
Listed equities	1 935	2 407
Unlisted equities	23 632	22 604
Market risk – portfolios subject to internal models approach	4 363	4 424
Interest rate	1 851	1 314
Foreign exchange	1 105	1 266
Commodities	20	17
Equities	1 387	1 827
Operational risk – standardised approach	13 002	13 097
Capital adequacy ratio	16.9%	16.1%
Tier 1 ratio	11.3%	11.4%